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CONTENTS :

	PAGE
Pragmatic Ethics, Positivistic Law, and the Constitutional State W. Y. Elliott	1
Technical Influences on Vertical Integration F. Lavington	27
The New German Constitution in Theory and Practice Hermann Kantorowicz	37
The Organisation of the Swedish Money Market Karin Kock	63
Sweating in the Clothing Industry S. P. Dobbs	74
The Anglo-French Entente under Louis-Philippe Charles Bastide	91
Book Reviews (<i>For List of Books reviewed see inside cover</i>)	99
Books and Pamphlets Reviewed	132
School Notes	134

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Books Reviewed in this Number:

	PAGE
BASYE (A. H.) <i>The Lords Commissioners of Trade and Plantations 1748-1782</i>	By T. H. MARSHALL 128
BURNS (E. M.) <i>Wages and the State</i>	By R. H. TAWNEY 101
CHIAO (WAN-HSUAN) <i>Devolution in Great Britain</i>	By H. J. LASKI 107
CLARK (F. E.) <i>Principles of Marketing</i>	By J. W. F. ROWE 118
DARWIN (LEONARD) <i>The Need for Eugenic Reform</i>	By MORRIS GINSBERG 104
DUNHAM (F. L.) <i>An Approach to Social Medicine</i>	By MORRIS GINSBERG 125
FISHER (A. G. B.) <i>Some Problems of Wages and their Regulation in Great Britain since 1918</i>	By E. M. BURNS 111
GREGORY (T. E.) <i>The First Year of the Gold Standard</i>	By SIR JOSIAH STAMP 99
HAMILTON (H.) <i>The English Brass and Copper Industries to 1800</i>	By EILEEN POWER 109
MCPHEE (A.) <i>The Economic Revolution in British West Africa</i>	By VERA ANSTEY 126
MALINOWSKI (B.) <i>Myth in Primitive Psychology</i>	By J. H. DRIEBERG 124
MINISTRY OF LABOUR <i>Eighteenth Abstract of Labour Statistics</i>	By FREDERICK BROWN 121
MORRIS (W. A.) <i>The Early English County Court</i>	By W. C. DICKINSON 115
<i>Palgrave's Dictionary of Political Economy</i>	By E. M. BURNS 123
REDFORD (A.) <i>Labour Migration in England, 1800-50</i>	By A. V. JUDGES 129
SPENGLER (O.) <i>The Decline of the West</i>	By L. G. ROBINSON 113
WADIA (P. A.) and JOSHI (G. N.) <i>Money and the Money Market in India</i>	By VERA ANSTEY 120
<i>Kyoto University Economic Review. Vol. 1, No. 1</i>	129

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Pragmatic Ethics, Positivistic Law, and the Constitutional State

By W. Y. ELLIOTT

(Assistant Professor of Government in Harvard University)

PRAGMATISM, according to William James, is rather a method than a philosophy. But in his own hands it remained so unmethodological as to create a scandal, even among the pragmatists who took their philosophy seriously. When Mr. Dewey brought his Instrumentalism to their aid, there was great rejoicing. For a logician to turn upon logic its own weapons, to break with the conceptualistic schemata offered by tradition, was almost too much to have hoped. He came, to the eyes of the pragmatists, arrayed as an angel of light. To the logicians as a whole, however, it is hardly too much to say that he seemed like the devil quoting scripture.

Now Mr. Dewey's impact upon contemporary thought, in America at least, is too easily perceived in any direction one turns to admit of discussion. He is the only figure, with the possible exception of Mr. Santayana, that stands out in several different fields of philosophy among the minds of the first rank; he has influenced our ideas of education profoundly; he has made distinguished contributions to the political literature of the times, theoretical and polemical, scientific and propagandist; and all this is to say nothing of his influence upon a legion of students who have sought him out.

In his philosophic career proper, many critics have thought to discern a sort of rake's progress of the pragmatist: the turning of his own thought more and more away from universals, principles, and the like, and more and more toward those concrete, specific, and occasional writings which have latterly contributed his peculiar brilliance to the columns of the *New Republic*. But, even though that would be hardly more than to practise what he has so often preached, it is not fair to charge Mr. Dewey with a neglect of the larger outlines of his philosophy. In fact, the more one examines a book like *Human Nature and Conduct* (1922), or even *Experience and Nature* (1925), the more the conviction grows that Mr. Dewey's proposed *Reconstruction in Philosophy* (1921) is

a bit of rebuilding architecturally familiar enough. The outlines assume a striking similarity to those of the so-called *science des mœurs*, the work of the positivistic "social realists" in France, MM. Lévy-Bruhl and Durkheim.¹ By placing social forces almost entirely in group coercion, M. Durkheim, e.g., has attempted to remain within the rigid stays of scientific method, as Mr. Dewey has insisted that the social philosopher must.² Social interdependence he interpreted as binding men into an organic, though not a mechanical, solidarity, and the morality that resulted from this organic interdependence had its socially compelling force upon the individuals within the groups merely because it existed as a fact. The fact was the pressure brought to bear by the group. As opposed to the morality of Kantian individualism, and the conception of individual rights which it enthroned, this positivistic philosophy of society found no use for any other notion than that of "obligation" (*devoir*), not moral in any ideal sense, but actual and compelling through the pressure of group reactions. It is this sociology, denying the utility of either metaphysics or ethics, and planting itself squarely upon a description of social "facts" that is proclaimed by M. Duguit as the basis of his whole jurisprudence. It offers the theoretic basis for the rule of law that he has founded upon a social solidarity secured through assuring the public services. Legal theory can once and for all dispense with metaphysical constructions such as the legal personality of the state, the notion of sovereignty, and that other heritage of French jurisprudence from Rousseau, individual rights secured through a general will. Dean Pound and Justice Holmes in America, too, have gone far in this pragmatic direction.³

There is in this theory of law based on social facts, with its correspondingly "social" morality of pressure and conformity, a genuine affinity with the Instrumentalism of Mr. Dewey, in the recent phases of the latter, particularly. Not only in its general anti-intellectualism, but in its specifically positivistic qualities, the sociological jurisprudence of M. Duguit sees very nearly eye to eye with the pragmatic philosophy of Mr. Dewey. Underlying both is the assumption of society functioning to the limit of its organic (or economic) capacities. Instrumentalism does not look to an evaluation of moral ends. It takes these ends for granted, as the "datum" of the specific social situation of every act. The acts themselves are to be tested only by the efficiency with which they attain the given ends (or the equally given desires). Mr. Dewey's metaphysics is entirely summed up by scientific criticism of consequences. It has no norms, and it claims that

none are needed except those which arise as facts out of experience; these are not logically classifiable.

In *Human Nature and Conduct* Mr. Dewey has attempted to state that scientific social psychology whose need he has so long felt as the primary requisite of any useful system of ethics. In producing his psychology he derives the entire equipment of creative intelligence from something that he calls *habit*, assisted in coping with experience by the active biological impulses of man, and conditioned by the social setting of his every activity. The apparatus, thus simplified, is capable of turning morals to scientific account, and reducing the ethical notion of "rightness" to something like the description of organic reactions. The Kantian conception of human personality as morally responsible is simply left out of this equation altogether, as it is a disturbing factor in any attempt to reduce ethics completely to the terms of such a method as is used by the physical sciences. The appeal is to "facts," and these facts, *ex hypothesi*, rule out considerations of an *a priori* "ought." The doctrine is very succinctly put by Mr. Dewey:

"These two facts, that moral judgment and moral responsibility are the work wrought in us by the social environment, signify that all morality is social; not because we ought to take into account the effects of our acts upon the welfare of others, but because of facts. Others do take account of what we do, and they respond accordingly to our acts. Their responses actually do affect the meaning of what we do. The significance thus contributed is as inevitable as the effect of interaction with the physical environment. . . ."⁴

"There is a peculiar inconsistency in the current idea that morals *ought* to be social. The introduction of the moral 'ought' into the idea contains an implicit assertion that morals depend upon something apart from social relations. Morals *are* social . . ."⁵

In lamenting our lack of a scientific social psychology Mr. Dewey says that "at present we have no assured means of forming character except crude devices of praise and blame, exhortation and punishment." The fact that there is disagreement as to the principles of ethics, he thinks, is attributable to isolating the facts of moral activity from the concrete interactions of human beings, "an abstraction as fatal as was the old discussion of phlogiston, gravity, and vital forces apart from the concrete correlation of changing events with one another . . ." One may

be very heartily in accord with this critique of the danger of abstractions, without confusing abstractions, as it seems that Mr. Dewey does continually, with the universals absolutely essential to thinking. And certainly one of these universals which has claims to being something more than a "crude device" is the concept of *right*, or *rightness*, with its implication of responsible moral personality, for whose choice it is a necessary presupposition and a frame.

This very conception is the one Instrumentalism must destroy if it is to build up a scientific "social" morality. For "rightness" is an evaluation achieved by the individual. The stuff he works with he receives; but the activity of re-shaping it is creative in the true sense of that word. Mr. Dewey calls all this "the last resort of the anti-empirical school in morals;"⁶ so it is—and likewise the last resort of morals of any sort that can be differentiated from biological responses of an organism to appropriate stimuli, or mere tropisms. He asks how much would be lost by dropping out this conception of Right and being "left face to face with actual fact": no more would be lost, certainly, than the actual fact itself, a fact without which experience itself would be no more than inscriptions on that *tabula rasa* empiricism has always taken dogmatically for granted. "The answer to the question, 'Why put your hand in the fire?' is the answer of fact. If you put your hand in the fire it will be burnt. The answer to the question 'Why acknowledge the Right' is of the same sort. For Right is only an abstract name for the multitude of concrete demands in action which others impress upon us, and of which we are obliged, if we would live, to take some account. Its authority is the exigency of their demands, the efficacy of their insistencies . . . in fact it signifies the totality of social pressure exercised upon us to think and desire in certain ways."⁷

It would be unnecessary to labour the point by quotation at such length were it not for the fact that Mr. Dewey is cheerfully unconcerned with the logical consequences of his own doctrines. He has insisted ever since his early *Logical Conditions of a Scientific Treatment of Morality* that "it is futile to insist that psychology cannot 'give' the moral ideal, and that consequently there must be recourse to transcendental considerations, to metaphysics."⁸ Yet he has repeated in a variety of forms that "The social saturation is, . . . a matter of fact, not of what should be, not of what is desirable or undesirable." In spite of having just said that Right is only another name for "the social pressure exercised upon us to think and desire in certain ways," he proclaims that

" it [the social saturation] does not guarantee the rightness or the goodness of an act " and that " there is no excuse for thinking of evil action as individualistic and right action as social." ⁹ To that one can only agree, given the premises, by saying that there is no such thing as rightness in the sense of a thing desired *against* social pressure. But Mr. Dewey meets his difficulty by one of those ingenious and astounding leaps that leave his readers breathless: " The difference [between evil and good] lies in the quality and degree of the perception of ties and interdependencies; in the use to which they are put." And with this bit of legerdemain he is ready again to talk of individual effort as creative!

Now it is not a little confusing, to minds not gifted with a pragmatic twist, to talk of Right as social pressure, as if that exhausted the facts, and then introduce a subjective calculus (whether in the individuals or the group, it remains subjective) of ties and interdependencies, and of utility. Utility for what and to whom? Whose vote is to decide those perplexing problems of " the quality and degrees of perception of the ties and interdependencies " that now differentiate evil from good—and, one would think, right from wrong—had one not been told specifically that Right and " the totality of social pressures " were interchangeable terms? The answer to this question brings the pragmatic ethic once more back to " social " morality. " If the standard of morals is low it is because the education given by the interaction of the individual with his social environment is defective." Passing by the difficulty of finding how the totality of social pressures (which is always Right) *could* be defective, one arrives finally at the conclusion that the place to attack moral obliquity is in the adjustment of social forces. If, somehow, the proper " interaction " could be secured, the world and the individuals in it would be morally perfect.

Are we advanced on our road a whit by this sort of generalisation? Unquestionably the individual does not operate *in vacuo* as a moral agent, nor does rightness grow up in a realm of pure idea, unspotted and immaculate. The doctrine of the social setting of every moral act is surely as old as Aristotle, perhaps older; so is the experimental nature of human activity. But unless we are to think of the individual merely as a sort of test-tube or retort, in which social forces work out their chemical reaction, we must do justice to the normative character of creative intelligence. It is the very " forward-looking " quality of the mind (whose pre-occupation with the future to the detriment of the concrete and living present Mr. Dewey so deplures)

that none the less prevents the "habit" of which he talks from growing solid—from "caking hard," as Bagehot would have said. The pragmatism of William James clung to individual moral responsibility even at the cost of giving up logic—"fairly, squarely, and irrevocably," as James put it. Mr. Dewey, by finding no facts except "social forces" can only retain moral responsibility at a similar cost.

His pseudo-scientific selection of facts with which to construct a scientific social psychology and a social morality, is so very like that of M. Duguit that to give an exposition of the latter's sociological foundations for law would be no more than repetition. In several respects that are illuminating, M. Duguit pushes the conclusions implied by Mr. Dewey to their logical conclusion, and is even willing to give them pragmatic application. If society is organic in its functioning, social solidarity will enforce its own criterion of rightness. Consciousness does indeed exist in human beings, but it cannot be shown to play any creative rôle. It is merely registrative of the decrees of social forces. He is even more impatient than Mr. Dewey with the attempt to go behind sociology and psychology to metaphysics. His system is built upon a positivistic description of facts, not "metaphysical theories." All theories, according to M. Duguit, are metaphysical which try to construct anything (and particularly law or morality) upon a will of any sort, or rights of any sort. One must not be misled by the use of such words as *devoir* or *lois normatives*. They have no connotation of moral obligation, or normative valuation. They are the product of social pressure, just as Mr. Dewey's obligation to act rightly is. M. Duguit would, I think, cheerfully accept the metaphysics of Mr. Dewey, which turn out upon analysis to be mere criticism in terms of facts as consequences, with no "wholesale standards of reality" implied.

It is interesting enough to note that, not only in ethics and metaphysics, but in law as well, Mr. Dewey is in substantial agreement with M. Duguit. As long ago as 1894, in the *Political Science Quarterly* of that year, in a critique of "Austin's Theory of Sovereignty," he had sketched what might have served M. Duguit for the germinal conceptions of most of his theories of law. There is nothing that I know of in the works of either Mr. Dewey or M. Duguit that would indicate anything more than the most casual acquaintance of either with the works of the other, but their "way of looking at things" (which James called the essence of pragmatism as a philosophy) is essentially the same. The similarity is readily apparent in the attack which both have

launched upon the conception of legal sovereignty that has served analytical jurisprudence more or less satisfactorily since Austin's time, despite the criticism of the Historical School, and the sociological jurists.

Mr. Dewey quite fairly points out the injustice done to Austin by insisting, as Sir Henry Maine, Cornwall Lewis and T. H. Green had, that his doctrine "considers the essence of sovereignty to lie in the power . . . to put compulsion without limits on subjects, to make them do as it pleases."¹⁰ Austin fully realised the extra-legal restraints upon rulers: he took the habitual obedience of the bulk of the people for granted, however, in the normal state.

Austin's contention had merely been that, in order to define the province of jurisprudence, one must separate positive morality from positive law. The latter was the command of a determinate person or persons accustomed to habitual obedience from the bulk of a given society, and not rendering obedience to any other person or persons. That put legal sovereignty squarely in the organ of government that had the final say as to what should be called law. But the identification of sovereignty with government, according to Mr. Dewey, is a mere fiction. The real sovereign can only be found in the complex of social forces that actually get themselves obeyed at a given time. Government itself is under law, in modern times: it must conform not only to the law, but to the custom of the constitution.¹¹ To talk of this constitutional law as auto-limitation is as unsatisfactory to Mr. Dewey as it is to M. Duguit.¹² Neither of them will hear of a special domain for "public law," for all law is ultimately enforceable only by what Austin would have called "positive morality."

To both Mr. Dewey and M. Duguit, the group represents just as real a political unit as does the state. Group relations manifest the same pluralism that Lord Bryce remarked in international relations.¹³ Laws of authority are enforced upon the individual by the family, the church, the occupational or professional group. They have plenary power within their own range of control. M. Duguit, indeed, looks to these associations within the state for an ultimate pluralism of authority upon which to found a system of law interested only in enforcing functional duties and securing the operation of the public services. Mr. Dewey talks of pluralism, too, as the modern practice of political authority. Yet both alike insist upon a rule of law to be enforced by determinate agents much as Austin did. Social solidarity demands it. It is difficult to see what "pluralism" can

mean which is unified, as Mr. Dewey says, by a regulatory state, operating through "definite organs," "determinate forms of exercise." As long as one is talking of government as existing only for "utility," it is difficult to escape Austin's Utilitarian logic. The point he is making, though, is not that Government does not demand determinate bodies to say what is law, and to apply it to specific instances, but that this determinate body or bodies of persons cannot be called really sovereign either in law or fact. Austin insisted that lawyers were not, could not be, interested in the complex forces that made for habitual obedience. Law must stick to the arrangement of the simplest available facts. Obedience was such a fact, and superiors issuing commands were other facts of the same sort. For law, then, the sovereign was the person or persons ("determinate superior") who commanded as of right. To admit that sovereignty was vested in society at large, as Mr. Dewey does,¹⁴ would, from Austin's point of view, have been simply to fail in his central endeavour, which was, as the title of his book suggests, to determine the province of jurisprudence. Austin insists that laws "properly so-called" can only be "positive law," the commands of the determinate superior. Mr. Dewey, on the other hand, insists that all that law need insist upon is "determinate forms of exercise."¹⁵

Nor would he limit these "determinate forms of exercise" to constitutional procedure, as it seems to me that he should. His case against Austin, up to this point, is clear. Not only does Austin's theory fail to take into account the modern constitutional state, in which sovereignty rests ultimately in the habitual willingness of the "bulk of the people" to accept authority under law, and not merely the authority of a given person or persons. It fails as well, according to Mr. Dewey, to take into account the true nature of law even in absolute monarchies like, say, that of France in the late seventeenth century. He insists that we must "extend the operation of sovereignty and of the recognition of its authority clear through from constitutional law to the working of institutions like the family—wherever there is authorised control on one side and subjection on the other." In short, his own view of law is that it is equivalent to what Austin would have called "positive morality," the realm, i.e. in which authority does not command the special sanction of organised force which is at the beck of the state in enforcing what Austin called "positive law."

Let us make a special note in passing of this part of Mr. Dewey's reconstruction of the doctrine of sovereignty. He is impatient

with Austin's attempt to make a special sphere for legal sovereignty to the exclusion of all other types of authority. He is all for admitting the genuine pluralism of authority which exists because there are many other social institutions and associations besides the state. Law cannot be reduced to the mere command of government without overlooking the source of law itself. Yet was not Austin facing a real difficulty in admitting into the consideration of the *legality* of laws this inquiry into their ultimate or sociological source? Was he not quite correct in insisting that *legal* sovereignty must be restricted to the commands of "determinate" bodies, bodies which were habitually obeyed because of what he called the "utility" of fixing on organised government as the sole power capable of saying what is law? How can Mr. Dewey find in a sovereignty extended to all group authority "the determinate forms of exercise" which he has agreed were necessary for government?

His objection is clear: "If this complex [authority in society] exists for the sake of what Austin calls 'utility,' then the operation of sovereignty cannot be reduced to the imposition of commands by a certain portion of society upon another portion, the part which imposes being itself exempt."¹⁶ The answer is that if Austin be brought up to date by agreeing that "determinate" shall mean *constitutionally empowered*, then the agencies of government must possess exactly the right of command with which Austin endowed them. Otherwise the lawyer is to be left groping for his law in sociological theories, and the judge must apply, not statutes or the common law, but his own evaluation of conflicting interests. This is a conception of jurisprudence by no means foreign to the Sociological Jurists, at their head perhaps M. Geny of France, and it finds an unmistakable echo in M. Duguit. Is it not tantamount to the assertion that there is no real need for differentiating *legal* sovereignty from what I venture to call *constituent* sovereignty? And is even the latter, which we may define as the agreement among a given social grouping to become a state and to remain one, capable of the pluralistic treatment offered by Mr. Dewey? *Can political authority be dispensed with, and social morality substituted, in determining what is law, to begin with?* That is what our first question will require us to answer. The second will sum itself up about like this: *Can political authority be shared by the State with other associations?*

To answer the first we must determine what the nature of social morality is, whether human conduct can be pragmatically reduced to specific reactions to the forces which bear on it, and

what the nature of these reactions is. Can ethics be reduced to a science like in kind to the physical sciences? What is the meaning of individual moral responsibility and of personality? Only after we have found satisfactory answers to these questions can we find the relation of morality to law.

To answer the second, we must agree to use the term *sovereignty* with the circumspection which it demands. If it proves to be a fiction, let us by all means discard it from the vocabulary of politics in any other sense. If it proves, like many another word, to be slippery in its meanings, let us try to lay fast hold upon the distinctions between them. The test will come in its application to certain problems of the nature of law and of the modern state which, though theoretical, are by no means idle, for they have the most immediate practical importance.

But to return to our first problem: what is the nature of social morality? Is it the product of a society completely organic in the subordination of the individual to its functioning groups? If that is the case, the psychology of obedience to any authority whatever is that of Hobbes: men obey because they are afraid not to; rulers are limited in their turn by the fear of provoking social reactions. Like Mr. Dewey's burnt child, they each dread such fire as they have experienced. "If sovereignty is what Austin says it is," says Mr. Dewey, "then we must not stick at saying that the whole organisation of society is based upon the fear of the commands of a certain part of society."¹⁷ This is not entirely fair to Austin, as the present Master of Balliol, Mr. A. D. Lindsay, has shown in a considered essay on "Sovereignty" that deserves to become the classic modern statement.¹⁸ But, putting aside the question of whether Austin's theory implies the subordination of the many who are ruled because of their fear of the few who rule, Mr. Dewey's own interpretation of social morality implies the fear-theory of political obedience in an even more thorough-going fashion. For not only do the many obey, but the few actually rule out of fear. He attempts to supply the same escape from this implication of his impositional system of morals by speaking of social needs, just as Austin spoke of utility. But what this interpretation of social morality as the product of the organic interdependence of societies amounts to is not needs, but necessity.

For the frankest possible recognition of this fact one has only to go to M. Duguit. He agrees perfectly that the rulers, as well as the ruled, are bound by law; and he has the consistency to see in this law not anything morally obligatory (as it is imposed

by social reactions), but simply the ruthless demand of social solidarity that the public services function. He recognises, further, that this activity under law is in response to social needs comparable to those of an organism, and accepts the purely economic interpretation of morality that fits these conditions :

“ The cells composing an organism are subordinated to the laws of that organism. Everyone recognises that : the law of that organism is that which governs its formation and development. In the same manner the individuals composing a social group are submitted to the law of that group, a law which governs its formation and development. The one and the other of these laws are laws of co-ordination. We don't call the law of the organism a norm because we cannot affirm the cells composing it are conscious; the law of a social group we do call a norm because the individuals who are its members act consciously, will a thing they have in view in virtue of a motive of which they are conscious.”¹⁹

But consciousness, according to M. Duguit, cannot be affirmed to play any active rôle. The action of the group depends upon law, not a creative purpose.

Once we accept an organic social morality, fear is the only possible basis of obedience. Let Mr. Dewey remonstrate with the age that moral sanctions are “ crude devices of blame, praise, exhortation, punishment.” His own exhortation will remain equally futile until he can offer some more adequate foundation for true morality than social pressure. It is as difficult in practice as in theory to dissociate fear from force—a fact that M. Duguit admits unblushingly : “ This fear [of the ruled for the rulers and the rulers for the ruled] is always a fact of the greatest force, and I can hardly be accused of slighting it, since it is on the contrary the point of departure of all my developments.”²⁰ Mr. Dewey can only escape the implications of his own ethics in the same direction by turning his back upon them—as he does, in fact, in his extremely liberal exhortations in the *New Republic*.

Neither of them really have much to quarrel with Austin about in the matter of limiting the consideration of jurists to facts. Austin, however, wished to stop with the simple fact of political obedience. He did treat that as habitual (as Mr. Dewey does), and he did enter into utilitarian explanations of it in terms that were very much like those of Mr. Dewey, e.g., in his explanation of “ utility ” as the reason that men accepted government. But the moral problem did not concern him, as it does Mr. Dewey. It

had, however, previously absorbed the attention of his countryman Hobbes, who furnishes him with the notion of legal sovereignty. Hobbes had, with something like the Gallic unconcern of M. Duguit for individual personality and moral responsibility, taken the Utilitarian conception of imposed morality to the fear-theory from which it can hardly escape, as indeed Plato's creature, Thrasymachus, in the *Republic*, and a line of others like Polybius and Machiavelli, had found. Mr. Dewey, however, is bent upon having his cake and eating it too. He contemns fear, but he enthrones force; he wants moral responsibility, but he would have no morality but that of imposition.

Curiously enough, both he and M. Duguit agree with Austin on the necessity of "determinateness" in the organs of government, although they at once render that agreement nugatory by saying that the conception of legal sovereignty is valueless, and by going on to set law adrift on the uneasy groundswells of social reactions. The appeal from the old to the new Utilitarians has not had happy results, either from the practical or from the logical viewpoint. The pragmatic effort to make law and morality equally impositional and co-terminous quite misses the real nature of both.

The pseudo-morality of pragmatism offers an ethics of necessity founded upon social interdependence in societies conceived to be quite organic in the imposition of group law upon the individual. Positivistic law accepts this foundation, with its fear psychology, and builds upon the force brought to bear by the social organism in assuring the functioning of its public services. Nothing can stand in the way of functioning—not human rights, nor any "metaphysical" abstractions such as the guarantees afforded by law for the free exercise of moral choice. This differs from the absolutism of *German Philosophy and Politics*, which Mr. Dewey trounced so thoroughly during the war, only in substituting for the Goose-Step ("der Gang Gottes in der Welt"?) the March of the Machine (*machina ex deo*?). It is the perfect apology for Mussolini's Fascist corporative state. Human conduct is looked upon as a purely economic activity, in the Crocean phrase. Morality concerns itself only with the means to the accepted end of organically determined social solidarity. The demands which it must fulfil do not raise the moral question, the question of the end *sub specie universalis*. They relate only to the conditions of fact under which the individual finds himself, and those facts are interpreted in terms of group wants, the satisfaction of which is economically imperative. They are necessities of survival only, not of improvement or moral progress.

Croce has shown well enough the relation of the economic to the moral as two phases of practical activity to make it hardly necessary to repeat him here.²¹ Within the realm of the economic, pragmatism is an accurate description of conventional morality and conventional law. M. Duguit's *droit objectif* has seized upon the trend Dicey termed "collectivist" in modern legislation and jurisprudence, and given it an accurate translation. The part the public services play, the conception of "public interest," may be read most clearly in the decisions of the American Supreme Court, in a long line of cases dealing with the Police Power, with the regulation of inter-state commerce, and the like. But it is as false to give an economic interpretation to all activity, and rule the moral activity out of consideration, as it would be to refuse to admit any but a moral activity to the human spirit.

Moral activity is the effort we make to lift ourselves above the infinite progression of individual economic ends by inserting into them universal value. In many cases of "social" morality and conventionally necessary laws, the moral question is not raised, because conflict is unnecessary. We accept the traffic conventions of turning to the right or the left as we pass from one country to the next, without question. We penalise violations of a minor nature, without imputing any particular blame of a moral sort to the car owner, e.g., who parks too long up-town. Even in traffic regulations, however, moral issues can really be raised, for upon the habitual observance of the most important of them depends not only our safety, but the whole possibility of modern transport. In the ends of groups, as well as of individuals, there are always issues not possible of decision on the basis of a purely utilitarian and quantitative analysis. Ends must be weighed, in short, not from a calculus of economic interests, or from fear of punishment of one sort or another, but in the light of a purpose that transcends the economic realm and attains to Kant's "good will."

Obviously this is more hortatory than descriptive. Men singly, or in groups, are most apt to "calculate their chances" in a fashion thoroughly pragmatic. "Business is business," the saying is. Granting that choices are not often made against economic pressure, and that the economic interpretation of history is often sound history—even as history it is not the whole story. Manchester cotton-factory workers, on the point of starvation, sided with the anti-slavery North during our Civil War, though their economic interests and England's were those of the cotton-growing and blockaded South. The constitutional morality which has staved off revolution, communist or fascist, in an England battling

against misery and lowered standards of living is also noteworthy. It is certain, in any case, that ethics holds up *ought* as well as *is* for our thought.

The function of the moral intelligence, according to Instrumentalism, is merely the criticism of means toward uncriticised ends. The process of attaining them is purely economic, and the criterion for testing the means is the efficiency with which the ends are attained. The end itself is accepted as part of the specific situation, arising from a desire that is the product of the *milieu* and the circumstances, in their effect on given impulses, which are usually treated as instinctive; culminating in a specific goal, which is the desire plus what happens to it in the course of its attainment. Pragmatism of the Jamesian type implied a somewhat robustious hedonistic calculus of satisfaction as its test; but, on the whole, Mr. Dewey's logical preoccupations have accepted the survivalist philosophy that has desires, indeed, but that is chastened enough to leave the end to fate. Perhaps it is not quite accurate to say that the end is uncriticised.²² It is only uncriticised before the fact. Instrumentalism, in addition to picking out efficient means, can enter on an *ex post facto* analysis of the success of its ends by seeing whether they are still "alive" or not. But even then its criterion of successful survival is reduced either to the hedonistic calculus before mentioned, or to the survivalist critique in terms of self-fulfilment. Its attitude is necessarily descriptive, for it has no normative values to apply. It can only perform a *post mortem* on the ends themselves, in spite of Mr. Dewey's latest talk in *Experience and Nature* of criticising them in the light of their consequences. For his Instrumentalism offers us no help toward an intelligent criterion for testing the value of those consequences themselves.

Elsewhere I have set forth at some length how close a resemblance the moral implications of M. Duguit's theories bear to this same deterministic limitation of ethics to the realm of an economic calculus.²³ Pragmatic instrumentalism and positivistic realism turn out to be so closely allied as to be indistinguishable in their application as well as their implication. They have an undoubtedly valid application to what I have called the organic in society: the "economic" interests can be described and calculated, even translated into terms of law, by pragmatic theory. This is true only so long, however, as the pragmatic philosophy of the law does not do what its exponents immediately set it to doing—forbid the really moral consciousness of the individual, which is the ultimate selective and directive force in human societies, its rightful place.

For it is that selective agency which addresses itself, not only to the problem of how to live, but also to the problem of how to live the good life. Aristotle's *Politics* show us that in the beginning of societies the pragmatic calculus was the only possible one: the state existed that men might live. But one ought never to forget what Aristotle added: the state continues to exist that they might live *well*. Once bare survival is assured, and the state has emerged from the tribe, the play of the moral consciousness, the good will, comes in to determine the conditions under which men shall continue to survive, and, as a surplus to organic needs, shall live in accordance with values that put an increasing responsibility and dignity upon individual personality. Tribal morality was very nearly organic; but the morality of the modern state admits of a degree of moral purpose in which its members may freely share. Description of social reactions, even as bare description, must include facts not to be explained merely in terms of fear and force, in M. Duguit's despite. He has half-heartedly recognised this by introducing into the last edition of the *Traité de droit constitutionnel* the "sentiments" of what he calls "*justice et socialité*." Is not this very much like Mr. Dewey's attempt to add to his assets "the quality and degree of the perception of ties and interdependencies; . . . the use to which they are put," in order to determine bad action from good? The addition is too much for pragmatism, but too little for an adequate philosophy.

It is the business of ethics to clarify those values and to criticise them, and that not merely as "instruments" toward whatever economic ends press upon a given group, but in the larger context of "the good life," as Aristotle called it. If they are "instruments" they must be used to further or to attain ends which in themselves are not alone economically judged, but morally approved, as well. It is true that the determination of what is truly ethical is not always so simple as Kant's examples would have us believe. Mr. Dewey recalls to us the necessity of decision as a concrete, not an abstract matter. But the moral choice must utilise as nearly universalised norms as it can attain; it must aim at self-coherence in the same way that logic must. That is to say, its system of values is not set up by the economic calculus in its Utilitarian or pragmatic purity, even where the locus of choice is transferred from "economic man" and put in "economic group." On the contrary, moral values create a world of ends into which the economic enters but as a means. For while it is true that "Bread is the staff of life," it is also written "Man does not live by bread alone."

If we reject "social" morality in the name of responsible human personality, though, what place does it leave for the relations between law and morality? Impositional morality claimed law as its own, for both were alike impositional, the results of economic necessity and fear. If human personality retains moral responsibility by permitting the individual to play the rôle of an active and creative agent in the moral scheme of things, how does that affect the status of law? The fallacy of the general will has been so thoroughly and so often exposed since Rousseau's time that not even Dr. Bosanquet's heroic effort to revive it could inspire it with new life.²⁴ You cannot compound the freedom of moral choice, it is urged, by pluralists like Mr. Laski, into the necessity of obeying law. That is a necessity founded, according to M. Duguit, simply upon force. To Mr. Laski it is not a necessity. To say you choose to obey law freely is to be like the ox whom Tolstoi pictured as loving his yoke. Nor is it more helpful to talk of the state as itself a moral person; your own personality is then absorbed.

The moral personality of the individual is ultimate; but that is by no means to admit that the state is founded on force. The state represents a moral ideal, not a general will. That ideal is best put by saying that the existence of the state is the necessary condition of moral freedom for the individual, because without it he is delivered over to the rule of force. Just as he freely accepts the common moral standards without which life would not be worth living, so he accepts the state, because only through it can he preserve his freedom. "The theory of the sovereignty of the constitution which I have been advocating," says the Master of Balliol, in concluding his memorable essay, "maintains that the unit between the social and the juristic aspect of the state is the adherence by the great mass of the members of a society to a definite principle of settling differences."²⁵ I ask only to substitute *constituent* for "social," *legal* for "juristic," and *sovereignty* for "aspect of the state," to put the solution in the terms we have been using.

The second question that arises out of the joint efforts of Mr. Dewey and M. Duguit to pluralise the political authority of the state by dividing it between the state and other institutions, involves in its answer finding out exactly to what use they put the term *sovereignty*. Once we have agreed that "social" morality cannot be substituted for law, and that the constitutional state fulfils a function *sui generis* among human institutions, we are better able to proceed to the second step of our proposed inquiry.

For it follows from a study of the ethical side of the question that impositional or "group" morality can only give an economic interpretation of human conduct. The only way in which conflicts of interest can be resolved on this basis is by the rule of the stronger, the right of might. That makes law no more than the arbitrament of superior force, with only such checks imposed upon the rulers of a given society as exist from fear of other force, what M. Duguit would call "social reactions." Now it seems probable from what we have seen of the relations between law and morality, that this explanation leaves out of account the real moral nature of the state, wherever the state is based upon a generally accepted constitution. Men attempt to control through an organised force, operating under agreed upon rules, the blind lash of economic wants and conflicts of interest. The morality which they seek to realise through the rule of law is not ordinarily imposed upon them by their economic circumstance, or the rule of force—though such states exist. Witness Italy. But in a constitutional state men may attempt, by reasoning together and by taking common counsel to transform blind necessity into conscious direction of events, to impose their will to justice instead of accepting the imposed play of purely economic determinants. He would be something of a fool who would close his eyes, full of this vision of the ideal, and say that the will to justice is the whole story of human government and the rule of law. But is he not equally foolish who can see in the whole growth of the constitutional state no more than the reactions of an organism bent upon survival? Does not the "seeing will" play a part in changing the conditions of survival from those under which the tribe alone counts to those under which the growth of moral personality in the individual is the criterion of success? Relapses there are indeed; during war time, always; and in the impoverished aftermath of war, often.

If it be granted, then, that the organisation of the sanction of force in the hands of the state alone is the condition not only of the harmonious functioning of economic interests, but of the realisation of the "good life" itself, we are already well under way in our approach to the answer to political pluralism. But in order to set the stage for a more detailed critique of the division of political authority among non-political associations, let us resume briefly Mr. Dewey's case against the sovereignty of government: His quarrel with the Austinian conception was that it put sovereignty in the agents of authority as if they were the masters of the power with which the complex institutions of

society invested them. Even though he admitted the necessity of definite organs and determinate processes to declare law, he insisted that *real* sovereignty rested in the complex of institutions, not in the government. M. Duguit's whole system is hardly more than an exhaustive elaboration of this theme.

It seemed, from the first, highly probable that they were both looking for something which we may call *constituent* sovereignty. and were bent on reducing *legal* sovereignty to the same terms in Austin's despute. For the sake of clarity, let us return to Austin's classic definition: "If a determinate human superior, not in the habit of obedience to a like superior, receive habitual obedience from the bulk of a given society, that determinate superior is sovereign in that society, and the society (including the superior) is a society political and independent." Putting aside the obvious tautology of superior, which has often been noted to involve a circular definition, and substituting "person or persons" as the context shows Austin intended, we still have a description of legal sovereignty that is inapplicable to any type of state in which the power is not vested finally in some unitary body (like the British Parliament) to say what is law. That is a claim that has been sufficiently often made, at least, and with considerable justification. How is one to fit Austin's description, even for legal purposes, e.g., to governments in which there is a constitutional division of power, as there is in the United States, not only functionally, by departments and branches of government, but federally as well, by territorial divisions, each sufficient in its own sphere? American theorists have held that legal sovereignty rests in any agency of government which is acting in a manner not *ultra vires* the powers with which it has been constitutionally endowed. That is obviously a correct statement of fact. Yet Austin's point remains that there must be some determinate body vested with final power to decide upon what is *ultra vires*, and ever since Chief Justice Marshall succeeded in carrying the day for the principle laid down in *Marbury v. Madison*, the Supreme Court has fulfilled that function. So long as the Constitution is left *in statu quo* the Supreme Court is the "determinate" body to which the law must look for its unification. In so complex a system as that of the federal state, with its functional separation and territorial divisions of power, that effort sometimes requires a veritable *tour de force*. Still it is necessary, and it has been accepted.

Austin himself could not rest content with that, though. A legal system must provide the means of its own alteration by legal means if it is to escape the appeal to revolution. Many of

the early state constitutions enshrined the right of revolution from Locke's *Essays on Civil Government*, as the only means of change in fundamental laws. A constitution, however, does not maintain itself like the laws of the Medes and the Persians, invariable. So Austin looked to the power which law recognised as having power to change all laws, even to the over-riding of decisions from the highest tribunal. He found that in the bodies capable of amending the Constitution. Out of the four possible combinations offered by Article V, in practice those bodies have been limited to a two-thirds majority of both houses of the Congress of the United States, for proposal, and to a ratification by the majorities of both houses of three-fourths of the state legislatures.

The objection has frequently been made that here is a legal sovereign who has acted only nineteen times in the history of the nation, and who does not concern himself with statutes, but with the terms under which they may be made. Yet that is no real objection to finding in that all-powerful force Austin's determinate superior. Even the most absolute monarch hardly did more, for all the high sound of *quod principi placuit, legis habet vigorem*. And there is nothing more to prevent this sovereign exercising his good pleasure than there was to hinder Louis XIV; the extra-legal limit of all power rests, as Hume showed, with the governed. Constitutional amendments are limited in our national existence to matters of principle, as much because of the inconvenience of turning such unwieldy machinery to legislation as from any question of principle itself. But the XVIIIth Amendment, and the proposed Child Labour Amendment are ominous signs that we in the United States may be about to embark on the venture of over-riding the Courts' constitutional decisions to which our State Constitutions are already committed. If we are not to turn the amending process to statute-making, we must make our national government capable of expressing the real national unity which has come upon us all unawares, while we were still talking in terms of "an indestructible union of indestructible states." Is there anyone who seriously imagines it would take a revolution to override the proviso of Article V, which forbids any power under heaven to deprive any state of its equal representation in the Senate without its own consent? It is worth while noting, too, that most of our federal amendments, after the original ten, have been aimed at arming the nation with national powers denied it by the Supreme Court.

The existence of an accepted constitution, written or practised, is quite necessarily bound to provide the unification of legal

sovereignty upon which Austin insisted, though that must rather be accomplished by providing determinate means of *finding* and *putting into operation* the proper bodies to say what is law, or what shall be law, than by seeking for determinate individuals.

That, however, does not cover the case so far as Mr. Dewey and the pluralists are concerned. They would insist that we are still in the realm of convenient fictions. One would think that pragmatists must accept the fiction as truth, if it be convenient. But no, the realism of their doctrines demands its own share of satisfaction, and that is not to be attained short of finding those "real rulers of a society," whom John Chipman Gray declared to be "undiscoverable." Let us agree, then, that the legal sovereign is by no means the ultimate sovereign of a society, though that is not at all to admit that legal sovereignty is a mere fiction. The point is that law suffers the same limitations that formal logic does. It is necessary to political activity to bring things to a working synthesis through a constitutional unification of authority, just as we use a conceptual shorthand in thinking. But in neither case is that the whole story. In politics, too, we must go into the psychological bases of our state, just as we do supplement the formal outlines of concepts in concrete thought.

What is that constituent sovereignty by virtue of which we continually talk of "sovereign nation" or "sovereign people," implying that all just governments derive their powers from the active participation as well as the consent of the people? Austin was content to let the matter go by taking "habitual obedience of the bulk of the people" as a fact, and looking no further. For the purposes of law, it is impossible to do otherwise, because law is in its nature a formal summary of facts. But M. Duguit, for instance, while he insists stoutly that he is not going beyond the "facts," finds that the latter include the fact of social solidarity, and accepts social interdependence as his explanation, as Mr. Dewey did. What are the limits of this social interdependence? Are they territorial? Are they racial? Are they economic? Are they cultural? Are they moral? Or, are they a complex of all these factors, out of which emerges the phenomenon of the nation-state? And are the areas of community in each case susceptible of variations in extension and intensity?

That there are such limits to the willingness of men to submit common concerns to arbitration and final settlement, let the present status of the League of Nations witness. Yet the existence of a League at all is a further witness that these concerns are not to be formulated rigidly and forever in the categories of purely

national laws. The existence of the British Commonwealth of Nations, or of a Federation such as our own country was before the Civil War, affords ample proof that the limits of habitual obedience or social solidarity depend upon variables in human loyalty. The fluctuations of states give us more proof that the foundations of authority, like the foundations of belief, are psychological things. They vary, whether they be economic or moral communities of interest, both in degree of intensity and in scope.

Within the state, as well as without, associations claim our loyalties in certain directions. Who dare say that the state lays a more secure hold upon certain parts of its citizenship than the church or occupational associations? And if that authority, extra-legal as it is, be recognised as real, and frequently more powerful than the authority of the state in its hold upon certain groups, where there is a conflict of purposes, is it not true that to claim all political power for the state is to slight the facts?

The genuineness of these claims cannot be doubted in the face of class-warfare more or less openly conducted all over Europe, and the revival of the seriousness of religious cleavage through such issues as "Evolution" or the Ku Klux Klan, over which the last Democratic convention went very nearly on the rocks, not to mention similar struggles in other countries at the present moment. The state has normally to put up with associations within itself which can challenge its authority with some prospect of success, if it attempt to deny them their own right to existence. Mr. Laski has documented this thesis amply enough.

The only thing that one can urge in favour of holding on to the notion that the constituent sovereignty of the state exists as long as the state exists, and that it is not seriously impaired in its character of being the *sine qua nihil* of law, is that all these challenges to political authority ultimately result, not in lessening the province of law, but in extending it. I do not mean an extension into fields not properly political; but where *political* issues are raised political action has to be developed in one way or another to cope with direct action, if we are to avoid anarchy. The legal forms are often enough like old bottles unable to contain the newly fermenting spirit of the times. But containers must be found, if the value of that spirit is not to be dissipated entirely. Community of any sort depends in the long run upon agreement; although, as Mussolini says, consent may be aided by force! The moral agreement of free consent, however, is hardly to be reached by allowing the matters which properly can be the

concern only of the political community in their settlement to go by default because the present machinery of political settlement is so intolerable or so inadequate that groups of considerable importance force the issue by direct action. Presently direct action itself becomes so intolerable as to force more adequate means for political and legal arbitrament. That, it seems to me, means that constituent sovereignty exists in any society which aspires to be ruled by law and not by an unorganised and uncontrolled plurality of forces or by irresponsible Fascism. Law means that organised constraint may be and will be, if the issue is forced, put upon forces that challenge the community of purpose that is the state.

Granted that this community is not a fixed quantity, that it changes its form and its organisation in response to economic needs as well as moral purposes, that states are, in a word neither perfect, immutable, nor eternal—the state-idea holds a unified purpose before it, and the acceptance of a constitution by the bulk of the people is, after all, the test of statehood. Let us take a case very much in point. The British Empire is groping its way to a new form of association, in which parliamentary sovereignty by a body responsible only to the British electorate is an antiquated constitutional device. Like the United States of America before the Civil War, perhaps, better, like those same states under the Articles of Confederation, it is in a transitional stage. The lawyers must look on while the facts are re-shaped into law. Dicey is already out of date, when the Dominions claim and receive equal partnership in the order of things. The *Law of the Constitution* of which he wrote hardly contemplated separate ministers for the Dominions in foreign countries, or the claim to ratify for themselves all treaties concerning them. Indeed, the Governor-General in Council and the Judicial Committee of the Privy Council were, in Dicey's time, quite 'real partners in the law-making of the so-called Self-Governing Dominions. All that is rapidly passing, may be said in most instances already to have passed. The actual limits of loyalty to the old Constitution are not yet clear, and the "Empire," so far as the Dominions are concerned, is not *a state*, but *several states*, co-operating, or not, in various matters to varying degrees.²⁶

Yet it seems fairly certain that out of this transitional stage a new and more flexible imperial unity will emerge. It will quite probably reverse the parallel to the United States in being a greater decentralisation of authority, instead of the steady growth of centralisation that was well under way even before our Civil

War and the XIVth Amendment. Constituent sovereignty, the acceptance of a constitution as the rules of the game of politics, is the precise negation of pluralism. Pluralism of political authority means a transitional stage of the state to a new normal. From the point of view of abstract theory, that is of legal theory which must find some rules generally accepted in order to apply them, pluralism is no doubt pathological. But that is far from meaning that it is an unhealthy state. The body politic, like the human body, renews itself by changing. So long as a sufficient continuity of purpose exists to prevent absolute disintegration into anarchy, things are probably not so bad as the lawyers think, though social and economic intercourse may suffer.

Within the state, so far as its relations with other associations are concerned, the situation is somewhat different. If the state intrudes upon what they consider to be their spheres, it does so with reluctance, and only when the issue is forced upon it by demands on their part for power which it cannot yield without allowing its whole purpose (which is to establish the rule of law) to go by default. It cannot suffer them to make law in the same sense that it does. It must maintain law as its own province, if there is not to be a conflicting welter of regulations of human conduct. It will not, on the other hand, attempt the regulation of the internal discipline of associations of any sort if it is wise. Cases in which that discipline interferes with civil liberty, it cannot brook; but civil liberty is not to be secured entirely by guaranteeing civil rights. Its very existence depends upon associations which are on the alert and are powerful enough to protect those rights if they are challenged by the perversion of force, either in the hands of government or of other associations. Syndicalism and Fascism are alike pathological symptoms, indicating illness in the political organism.

In the end, however, it is always to just laws that men must look for redress of legal grievances. There are many forms of social injustice and petty oppression which law cannot reach. But its utility as the guarantor of an increasing area of freedom, and the establisher of standards of life which make possible real moral freedom, depends upon its making legal sovereignty the true expression of constituent sovereignty. Public opinion, difficult as it is to define, does exist as something more than Mr. Lippman's *Phantom Public* in a state like England, and does succeed slowly in moulding its institutions in its own image. If it is unenlightened, uninterested, incapable of intelligent formulation, or if it is intolerant, oppressive, and prejudiced, its institu-

tions will be shaped to fit it. And if it is torn asunder by internal dissensions, by bitterness, and hatred bred of greed or injustice, the state can hardly escape a like disruption. There is no short cut to a Christian millenium, whatever Utopias promise.

Neither Mr. Dewey nor M. Duguit are interested in Utopian proposals. The latter particularly stresses the hard realism of force and fear. And yet there is something oddly Utopian about any proposal to improve human nature and conduct without the aid of moral personality, by scientific social psychology and ethics, and by fitting men into their functions in an organically "moralised" society. Ultimately, it results in an apology for the Fascist ideal of a "disciplined" national organism.²⁷

NOTES

1. M. Albert Schinz had indicated quite clearly that Mr. Dewey's earliest programme in *The Logical Conditions of a Scientific Treatment of Morality* (1900) led him straight to Positivism. "La méthode consciencieusement appliquée ramène aux idées de Lévy-Bruhl, dans *La Morale et la science des mœurs*, marchant lui-même sur les traces de M. Durkheim dans ses *Règles de la méthode sociologique*." (*Anti-Pragmatisme*, 1909, p. 89 *et seq.*) Mr. Dewey, at first, has pragmatically refused "to draw a line of rigorous separation between philosophy which is purely normative and the sciences which are purely descriptive" (*Logical Conditions, etc.*, p. 13, note). *Experience and Nature* finds him appealing to a scientific description for norms. M. Lévy-Bruhl has admitted that "a science cannot be normative in so far as it is theoretical" (*La Morale et la science des mœurs*, p. 14), although, of course, one may reject the whole positivistic assumption on which "theoretical" is so limited to description.

2. A remarkable analysis of their work is to be found in *The Method of the Social Sciences*, W. R. Dennes (University of California Press, 1924).

3. In addition to the collections of the essays and writings of Dean Pound, such as *The Spirit of the Common Law*, *An Introduction to the Philosophy of Law*, and *Interpretations of Legal History*, his chief contributions to various Law Reviews, notably the *Harvard*, may be found in the bibliography given in *An Introduction to the Philosophy of Law*. Justice Holmes' philosophy has been set forth in a pragmatic light by Mr. Felix Frankfurter, "Constitutional Opinions of Justice Holmes," *Harvard Law Review*, Vol. XXIX, p. 683. His own books confirm this interpretation. See *The Common Law*, and *Collected Legal Papers*, and *Speeches*.

4. *Human Nature and Conduct* (1922), p. 316.

5. *Ibid.*, p. 319. Mr. McDougall in an interesting critique of Habit, in the use to which Mr. Dewey puts it, asks "Can Sociology dispense with the Instincts?" *American Journal of Sociology*, May, 1924. One ought to add, "or with normative intelligence?"

6. *Ibid.*, p. 324.
7. *Ibid.*, p. 326.
8. *Op. cit.* (University of Chicago Decennial Publications, 1900), p. 115, Vol. III, pt. 2. See also "The Need for Social Psychology," *Psychology* (revised), Vol. XXIV, 1917.
9. *Human Nature and Conduct*, p. 317.
10. T. H. Green, *Works*, Vol. II, p. 401, quoted by Dewey, *loc. cit.*
11. *Jurisprudence* ("Outlines of Jurisprudence Determined"), Vol. I, p. 276. (Edition of 1869.)
12. See Jellinek's classic statement, *Allgemeine Staatslehre*, p. 357. (Edition of 1905).
13. *International Relations*, Inaugural Address of the First Institute of Politics, Williams College, 1920.
14. Article cited (*Political Science Quarterly*, 1894), p. 48.
15. *Loc. cit.*, p. 50.
16. *Loc. cit.*
17. *Loc. cit.*
18. *Proceedings of the Aristotelian Society*, June 16th, 1924.
19. *Traité de droit constitutionnel*, Vol. I, pp. 18-19 (2ème ed.).
- M. Duguit has accepted the current *Solidarisme* which M. Léon Bourgeois popularised from Durkheim's conception of organic solidarity: "The Solidarist doctrine," says M. Duguit, "considers that individuals are like the cells composing a living body . . . From this interdependence is born the natural law which imposes on each one of them (the duty) of working in its sphere of activity, in order to assure the vital activity of the body which they compose. It is exactly the same with individuals, members of the social body." (*Souveraineté et Liberté*, 1921, pp. 145-6.) Fascism has adopted this philosophy bodily for its new state, with very different views on state responsibility, from those either of M. Bourgeois or of M. Duguit.
20. *Traité*, Vol. I, p. 498. (2ème ed.)
21. *Filosofia della Pratica*, pt. 2, "L'attività pratica nelle sue forme speciali," p. 211 et seq.
22. Cf. M. Fouillée, *La Pensée et les nouvelles écoles anti-intellectualistes*, especially the chapter on "La Néo-Sophistique Pragmatiste."
23. "The Metaphysics of M. Léon Duguit's Pragmatic Philosophy of Law," W. Y. Elliott, *Political Science Quarterly*, December, 1922, Vol. XXXVII, p. 632.
24. Mr. Hobhouse's strictures on Dr. Bosanquet's *Philosophical Theory of the State* are perhaps not entirely deserved. But the *Metaphysical Theory of the State*, as the former has termed it, depends altogether too much upon something like a super-personal state will, that absorbs mundane difficulties in the fashion of a divine absolute.
25. *Loc. cit. supra* (Note 25). A description of *The Constitution, Administration, and Laws of the British Empire*, by A. B. Keith, forms Vol. II of *The British Empire Series*.
26. Mr. H. D. Hall's book, *The British Commonwealth of Nations* (1920), although it is already outstripped by the facts, presents the best account I know of in brief scope of the genesis and tendencies of the new status of the Colonies and the Empire. The survey is brought to date by Richard Jebb's *The Empire in Eclipse*. Mr. R. G. Gettell has pointed out in his *History of Political Thought* how suited pluralism

is to the epochs of conflicting loyalties and rapid political change (p. 468 *et seq.*).

This article was written before the November resolutions of the Imperial Conference gave explicit recognition to Dominion equality with Great Britain, in the hope of more real co-operation now that legal control by the Imperial Parliament is no longer insisted upon.

27. See "Mussolini, Prophet of the Pragmatic Era in Politics," W. Y. Elliott, *Political Science Quarterly*, Vol. XLI, No. 2 (June, 1926).

Technical Influences on Vertical Integration

(Based on DR. MARSHALL'S *Industry and Trade*).

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I

THE purpose of this note is to suggest that there is little justification for the view that there is any general "tendency to vertical integration" throughout industry proper: that, on the contrary, the representative economies of modern industrial methods work towards the dissociation of processes both vertically and laterally; and that the presence of such vertical integration as now exists is to be explained by the peculiar technique of one or two conspicuous industries and by the presence in other industries of certain technical conditions which partially neutralise the effect on the business unit of the main forces working for the vertical dissociation of processes. Incidentally it is argued that "vertical" and "horizontal" combination are essentially different in their nature and in their causes; and consequently that they may not properly be regarded as parallel developments resulting from common causes.

II

Setting aside the influence of the desire for monopoly and taking as given the effective range of marketing, it may perhaps be stated without arguing the matter that the most powerful economic influences affecting the character of the business unit in manufacture are the economies attainable from the application of the principle of concentrating human faculty on a narrowed range of tasks.

The more restricted the variety of the processes undertaken by a single business, whether those processes are joined together vertically or laterally, the simpler is the task of direction. The more simple the work of direction, the larger is the volume of output which can be efficiently controlled by a single mind. And the larger the volume of output, the greater is the scope for

the major economies of modern technique : namely, those which arise from the higher specialisation of men and machines, more conveniently described in Dr. Marshall's phrase as *uniform continuous process*; and those associated economies which arise from the use of *powerful appliances of production*.

If it is agreed that these two are the dominant technical economies of modern methods of production, it must also be agreed that they exercise a marked influence on the character of the business unit. They must work strongly and persistently throughout industry proper towards the evolution of a business unit whose form and size are those which give fullest scope for their attainment. They must, it would seem, be perpetually at work disintegrating undertakings which are composed of complex aggregates of processes associated vertically or laterally and creating in their place business units whose products are less diverse in kind and much larger in volume ; that is to say, business units relatively simple in form and relatively very large in the volume of their output.

It is evident that the strength with which this tendency works will vary with the technical conditions of each industry. In the building of dwelling houses the business unit is both small and complex, for its conditions give exceptionally little scope for a more extended use either of uniform continuous process or of powerful appliances. If those technical conditions were changed by a widespread substitution of steel for brick, we should expect that the greater scope for the application of representative modern technical methods would transfer house building to undertakings whose output was larger in volume and narrower in its horizontal range ; in much the same way as the desire to obtain the full economies of those methods has expanded the business unit in paper making and flour milling. It appears, therefore, that the pressure to attain these dominant economies tends strongly to narrow the range and expand the volume of the output of the representative firm, and that it tends to do so in each industry not indefinitely, but up to that point at which these economies reach a maximum.

But when due allowance has been made for these differences in the force which these potential technical economies exert in different industries, the facts of industrial organisation show that their influence is often only imperfectly effective—is only imperfectly expressed in the character of the business unit. In many industries the representative firm remains more complex than these considerations would lead one to expect ; it still controls a

relatively wide range of vertical or lateral processes and shows little tendency to the development of greater simplicity of structure and greater scale of output. What then are the influences which in these business regions restrict the development of that form of business unit which gives fullest scope for the attainment of the two leading technical economies?

It seems clear that much the most important of these limiting conditions is the restriction of the effective range of marketing. This is plainly seen in the limitations imposed on the extension of efficient modern methods of factory bread making by the condition that the effective marketing area has a radius in urban districts of only some four miles. It is even more apparent negatively in the effect of modern transport developments in widening the area of effective demand and thereby giving greater freedom to the technical forces working towards the creation of larger and simpler forms of business undertaking. But, apart from this very important and familiar influence, there are other conditions associated with the technique of production which modify the force of the dominant tendency, and it is these alone which it is proposed to discuss. The question, therefore, is that of the nature of these technical conditions which modify the influence of the two major technical economies upon the form and size of the business unit; and their responsibility for the continued existence in industry of many businesses controlling a complex series of successive processes; that is to say, the continued existence of vertical integration. Before dealing with this question, however, it seems desirable to draw attention to two points on which it is important there should be no misunderstanding: the one is a matter of terms, the other a matter of substance.

III

It has been urged that, alike in the vertical and lateral disintegration of aggregates of processes, the narrowing of the range of tasks undertaken by the single business reduces the complexity of the problems which it presents to the management. It releases entrepreneur ability. It enables that ability to be concentrated more intensively on a simpler task or, alternatively, it enables it to undertake the control of a narrowed range but expanded volume of output. And this larger output gives scope for the attainment of further economies from the fuller application of uniform continuous process and powerful appliances. This disintegration, whether vertical or lateral, leads directly therefore to

"horizontal combination" in the sense of an expansion in the output of a given restricted variety of products. The point which it is desired to emphasize is that the parallel term to *vertical integration*, the association of unlike processes in successive stages, is *lateral integration*, the association of unlike processes in the same stage. For both these two modes of expansion of the business unit are alike in this: in either case expansion implies a proportionate increase in the complexity of the business unit and therefore in the difficulties of management; and in either case it is unlikely to give any scope for the fuller application of uniform continuous process or powerful appliances. "Horizontal combination," on the other hand, evidently refers to a very different form of expansion of the business unit—an expansion which does not involve a proportionate increase in the problems of management and is almost certain to give scope for the fuller attainment of the two major economies of modern business technique. The tendency of the dominant economies which form the central technical forces determining the evolution of the business unit is therefore towards vertical and lateral disintegration and also towards horizontal combination in the usual sense of that phrase. And the force of this tendency is recognised in the generally accepted view that the Trust movement in this country has been predominantly "horizontal."

IV

The second point which it seems necessary to notice is most conveniently brought out by repeating the main argument once more, but from a different point of view. The fact that the concentration of human faculty on a small range of problems is economical can only mean that there are sharp limits to the complexity of the undertaking which can be efficiently controlled by a single mind: in other words, that in each industry the growth in size and complexity of the representative firm is strictly limited by the organising capacity of the representative entrepreneur. It is not inconsistent with this to admit the existence past and present of very large, very complex and yet very efficient businesses. The admission merely shows that the general rule cannot bind men of exceptional ability, and suggests that there is a closer connection than is easily recognised between the range of operations of an undertaking and the ability of its management. The point to which attention is directed is that this particular restriction upon the variety and magnitude of the tasks which can be efficiently conducted by a single under-

taking is being increasingly weakened by the growing efficiency of modern forms of business management. The great facilities which the joint stock form of organisation gives for the acquisition of capital manifestly weakens one of the forces keeping businesses small, for it increases the rapidity with which men of ability can expand a business to the full limits of their directing ability. It gives scope for a much more deliberate and effective selection of entrepreneur ability. And these two changes are accompanied by another of perhaps even greater importance: a growth of business morality which permits an immense increase in the power of delegation and consequently in the complexity and power of the organ of management. So that the modern organ of management in its most developed and most efficient form, aided by cost accounting and scientific management, can penetrate deeply into the organisation of a business, and can invigorate and hold together undertakings as vast and complex as the late, if not lamented, American Food Trust and perhaps the recently formed Dye Trust in Germany.

It remains true, however, and the recent report which preceded the reconstruction of Vickers Ltd., is one illustration of the point, that the vertical and lateral integration of business is still closely restricted by limitations in organising capacity of the representative entrepreneur; and it follows that the pressure to obtain the two dominant economies of modern technique expresses itself most effectively in the creation of business units whose output is relatively narrow in range and can therefore be relatively large in volume. This tendency, as has been seen, is in some industries restricted in its operation by limitations to the effective range of marketing and in other industries, such as building and repair work, is limited in its effects by the lack of scope for further application of uniform continuous process and powerful appliances. And there are other less important limitations, such as the desire for security in the supply of raw materials, with which we are not concerned. Taking for granted these various restrictions on the action of the dominant tendency, we return to the original question: the consideration of certain technical influences which modify the force of the tendency towards vertical disintegration.

V

The first and most apparent of the limitations imposed on the technical forces working towards vertical disintegration and the creation of large and simple undertakings seems to be the

presence, or the growth, of those technical relations between the successive processes which make it economically necessary that they should be carried out in close physical conjunction with one another. The outstanding example is the familiar result of recent technical advance in the heavy iron and steel industry whose economies, derived from the conservation of heat and so on, have made impossible in the U.S.A., if not in this country, the continued existence of producers who concentrate on separate stages of the production of ordinary qualities of steel. In the light chemical industry, in its present stage of rapid technical development, the association of very complex aggregates of processes, joined together both vertically and laterally, would seem to be due largely to technical relations of the same order—the technical interdependence of products, of production processes and of the mental processes behind them. In a recent official report on Germany, Mr. Kavanagh describes that extraordinary complex, the German Dye Trust, and writes: “The horizon which the advance in chemical technology opens out to them with their very perfected mechanism is so vast and requires such a close degree of collaboration that a central control has been considered absolutely necessary to replace what was regarded, even before, as a fine example of team work in applied science.” If has, of course, yet to be proved whether so great and varied an undertaking can be informed and invigorated by even the most modern and efficient organ of management; but there is at least this in its favour, that it is directed, according to Mr. Kavanagh, by “the ablest brains in Germany,” and that in this industry, more perhaps than in any other, the sources of technical advance have been transferred from the mind of the business man to the laboratory. The circumstances that the integration in this Trust is both vertical and lateral serves to suggest the influence which the presence of bye-products exerts in many industries in checking the lateral dissociation of processes and maintaining the complexity of the business undertaking.

In drawing attention to these two industries in his *Industry and Trade*, Dr. Marshall was concerned to show the effect of modern changes in technique on the aggregation of business. But technical conditions of a similar order, which may or may not be changing, are evidently at work inconspicuously throughout industry opposing the indefinite subdivision of vertically joined processes. For many intermediate products are of such a nature, by reason of their physical condition or their bulk, that

it is more economical to pass them directly through the following process than it would be to transport them to other firms specialising on that process. The manufacturer may send away his cloth to be finished and dyed; but coal is picked and washed by the colliery; and the fact that boxes are "bad loading" relative to the board of which they are made, explains in part, at least, why some large firms have increased the complexity of their businesses by undertaking their own box making.

VI

The second condition, which may be described as *individuality*, is most conveniently distinguished from that just discussed by defining it as the antithesis of *standardisation*, the two terms representing the opposite ends of a series of conditions extending continuously from one to the other. At one extreme the progress of standardisation is continually giving freer play to the forces working towards the disintegration of processes and their allocation to independent firms—the forces, that is to say, of the economies attainable from the fuller application of uniform continuous process and powerful appliances. Its influence on vertical disintegration and its more ultimate effects on the character of the business unit are most conspicuous in the standardisation of yarns which permits the separation of spinning and manufacturing and in the increasing standardisation of component parts in the motor car industry which reduces enormously the complexity of the business producing the finished car and in extreme cases narrows the vertical range of its work to the single operation of assembling. Its influence on lateral disintegration is very clearly shown in the effect of the standardised boot in the U.S.A. on the development of the business unit whose form expresses fully the operation of the dominant technical economies: namely, a business unit whose output, large in volume, is restricted laterally to a single class of boot.

Intermediate conditions are found in those innumerable instances throughout industry where the quality of materials or semi-manufactured products is so uncertain and so difficult to test, that manufacturers are compelled to add to their main operation the earlier processes of making their raw materials. Such conditions appear to be compelling large firms in the motor car industry to establish their own casting shops, "since in this way they are able to obtain a greater control over the quality of their products" (G. C. Allen. Lond. and Camb. Econ. Service, Special Memorandum No. 18.) Similar conditions, it may be

supposed, are responsible for the existing integration of processes so markedly dissimilar in their technique as pattern making and iron founding.

At the further extreme is the condition where process and product are essentially individual in character, so that the successive processes are bound together by the need at every stage for the personal supervision of the individual producer. Wedgwood and other skilled potters necessarily make for themselves the various "bodies" from which their fine wares are shaped; in the manufacture of motor cars vertical dissociation of processes has made least progress among the firms making cars of high quality; indeed, it is evident that the condition works to maintain the complexity of a wide range of undertakings engaged upon "quality" products and proprietary articles. It is this condition, it would seem, which forms a large part of the explanation of the sharp contrast in the Wool Textile industry between the marked integration in the making of woollens and the vertical specialisation in the making of worsteds. For success in the making of woollens depends far more than it does in worsteds on the skill with which the particular producer makes his particular blend from a very great variety of raw materials, and on his ultimate adaptation to that blend of one of the wide range of modes in which his cloth may be finished; so that at each stage process and product are individual in quality and must be united under a single control.

VII

The final condition which we need to consider is the influence on the complexity of the business unit which is exerted by the necessity for what is commonly known as a "balanced plant": that is to say, a plant whose successive processes are so adjusted to one another that each process is conducted on a scale which is economical and is at the same time adapted in its productive capacity to the demands of the succeeding process. It seems clear that when a preceding or a subsequent process can be more economically conducted on a scale greater than that which co-ordinates it with the intermediate process, that condition is a force working in favour of vertical disintegration. And it works, of course, the more freely and strongly, the more complete is the standardisation of the product of the preceding or intermediate process.

This condition gives a further part of the explanation of the organisation of the Wool Textile industry. For it seems generally

to be agreed that the separation of spinning and weaving on the worsted side of the industry is due largely to the condition that the manufacturer of fancy (unstandardised) worsted cloths uses a range of yarns, which is at the same time so wide and so variable in response to changing fashion, that it is economically unpracticable for him to spin them for himself. And on the woollen side of the industry, where vertical integration is so marked, the separation of rag sorting and grinding from the succeeding processes must, it would seem, be mainly due to the condition that, in order to get sufficient of the particular range of rag wools which he needed, the woollen manufacturer would need to deal in rags on a scale quite out of proportion to the demands of his own spindles and looms.

This condition—the need for a balanced plant—is apparently responsible for many of the principal divisions in the vertical succession of processes throughout industry. Although the “business atmosphere” is not very different in milling and baking or in brick-making and building, we do not find, and do not expect to find, the two operations under the same hand. Neither is it to be expected that the specialised maker will take over the functions of the general merchant. And the ability of the manufacturer to penetrate into the retail trade is most conspicuous in those cases where something in the nature of a “balanced plant” is possible. For brewers and bootmakers, the outstanding examples of this form of integration, while concentrating on a range of products sufficiently homogeneous to be efficiently produced by a single firm, can sell their output in sufficient volume to give full employment to the technical instrument of marketing—the public house or retail shop.

VIII

To conclude: The form and size of the business unit throughout industry generally are evidently influenced by causes independent of economic efficiency, in particular the love of power and the desire for monopoly. They are influenced further by the expansion in the complexity and volume of the tasks which can be undertaken by a single business as a result of the marked growth in efficiency of the modern organ of management. They are yet further influenced, in different degrees in each industry, by the effective range of marketing and by the conditions which determine the scope for the application of modern business technique. The discussion in this paper takes these influences for granted. Following, it is believed, the argument of *Industry*

and Trade, it urges that the dominant technical economies of modern modes of production are those attainable from the application of uniform continuous process and powerful appliances ; and that the pressure to attain these economies creates a strong tendency towards the vertical and lateral dissociation of processes and the evolution of a business unit relatively simple in the range of its processes and relatively large in the volume of its output. The force of this tendency in compelling vertical disintegration is modified, it is suggested, by certain other technical conditions. The first of these is that which is most conspicuously at work in the heavy Iron and Steel trades ; the second is that described as individuality in process and product ; and the last is that arising from the need for a " balanced plant."

The New German Constitution in Theory and Practice¹

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THE new German Constitution, as enacted on August 11th, 1919, is, like the American and unlike the English Constitution, a Statutory Act, a law consisting of 181 articles. Most of them are clear, short sentences, which the people can read and understand; every pupil on leaving school receives a copy. It will serve as an introduction to the Constitution as a legal document, as a description of political facts, if you allow me to read the fundamental articles, or part of them.

"1. The German Reich is a Republic. Supreme power emanates from the people."

"2. The territory of the Reich consists of the territory of the German States." (There are now eighteen States, or rather lands, as the Constitution says, from the great power, Prussia, inhabited by nearly 40 millions, down to Schaumburg-Lippe with less than 50,000.)

"3. The law of the Reich over-rides the law of the States."

"17. Every State must have a Republican Constitution. The representatives of the people must be elected by the universal, equal, direct and secret suffrage of all German subjects, men and women, in accordance with the principle of proportional representation. Each State Government requires the confidence of the State Parliament." (The same franchise is adopted for the Reichstag, the single-chamber Parliament of Germany, whose privileges, competence and Standing Orders, are much the same as those of the English House of Commons.)

"41. The President of the Reich is elected by the whole German people."

"43. The President of the Reich remains in office for seven years. Re-election is permissible."

"45. The President of the Reich represents the Reich in its international relations."

¹Lectures delivered at the London School of Economics on March 4th and 9th, 1926.

" 46. The President of the Reich appoints and dismisses the officials of the Reich and the officers of the Defence Force."

" 47. The President of the Reich has supreme command over the whole of the Defence Force of the Reich."

" 50. All orders and decrees of the President of the Reich, including those relating to the Defence Force, in order to be valid, must be countersigned by the Chancellor, or by the appropriate Minister of the Reich. Such counter-signature implies assumption of responsibility."

" 52. The Government of the Reich consists of the Chancellor and the Ministers of the Reich."

" 53. The President of the Reich appoints and dismisses the Chancellor and, on the latter's recommendation, the Ministers of the Reich."

" 54. The Chancellor and the Ministers of the Reich require the confidence of the Reichstag for the exercise of their offices. Any one of them must resign if the Reichstag withdraws its confidence from him by an express resolution."

" 56. The Chancellor of the Reich determines the political programme for which he is responsible to the Reichstag. Within the main lines of this programme each Minister of the Reich administers independently the department entrusted to him, for which he is personally responsible to the Reichstag."

" 59. The Reichstag may impeach the President, the Chancellor and the Ministers of the Reich before the State Court of the German Reich for a culpable violation of the Constitution or of a law of the Reich."

" 60. A Reichsrat is formed for the representation of the German States in the legislation and administration of the Reich."

" 61. In the Reichsrat each State has one vote. In the case of the larger States one vote is assigned for every 700,000 inhabitants. A surplus of not less than 350,000 inhabitants is reckoned as 700,000. No single State may be represented by more than two-fifths of the total number of votes."

" 68. The laws of the Reich are enacted by the Reichstag."

" 73. A law passed by the Reichstag shall, before its promulgation be submitted to the popular vote if the President of the Reich so decide within one month." "Again there may be an appeal to the decision of the people if one-tenth of the voters petition that a draft-law be submitted to a popular vote."

" 74. The Reichrat may protest against laws passed by the Reichstag." "If the Reichstag has passed a law by a two-thirds majority as against the protest of the Reichsrat, the

President must either promulgate the law within three months or order it to be submitted to the popular vote."

The next section deals with the administration of the Reich, of which I will only read two short, but important sentences.

" 88. The postal and telegraphic services, together with the telephonic service, are solely the concern of the Reich."

" 89. It is the duty of the Reich to take over the ownership of all railways which serve for public traffic and to administer them as one single undertaking."

These are the main principles of the first part, called the "structure and tasks" of the Reich. The second part is entitled "Fundamental rights and duties of Germans." This is a modernised declaration of the Rights of Man, with several socialist innovations; e.g.: the workmen are entitled to form a whole system of councils with an economic council of the Reich at the head of the pyramid, in which employers and employed are equally represented. As I shall have no opportunity of commenting on this council, which seems to have aroused much interest in England, I will only add by the way, that this advisory body of experts is considered a costly failure by prevailing opinion in Germany.

This will be, I hope, sufficient to give you a preliminary survey of the new Constitution. It would be very boring to go into the details of interpretation, and I propose to devote the space at my disposal to one single but fundamental question, i.e.: What have been the final political aims of the men who put the new Constitution in the place of the old one, and have they practically attained their aims? To answer this question I shall compare the Imperial with the Republican Constitution, and the letter and spirit of the Republican Constitution with its practical working.

The German Republic is a child of the revolution, and every revolution is an effort to replace a faulty Constitution by a better one. The great faults of the Bismarckian Empire were in the eyes of the new men the three following: it did not embrace the whole German nation, as had done the German Confederacy, which, as you know, down to 1866, included also the German part of Austria; secondly, it was not a German "Reich" at all, but greater Prussia, surrounded by minor States in different stages of vassalage; thirdly, it was a militaristic autocracy under the mask of a modern constitutional state. The new aim was to do away with these grave defects, and to found a real democratic Republic, based on the equality of all German tribes, and no longer excluding our Austrian brethren. Our questions are therefore: how did the

fathers of the Constitution try to attain these aims, and did they succeed? Let me state my answer straight away. Their effort has not been crowned with full success, either in theory or in practice. Nevertheless, something great has been achieved: the erection of a bulwark against the old and the new enemies of civilisation, militarism and bolshevism. This has been achieved by men worn out by five years of war and privation, persecuted by embittered enemies within and without, and I look upon this as an historical deed worthy of being recognised with gratitude by our people and not *our* people alone.

Let us take the Austrian problem first. It is a very general mistake, common among my fellow countrymen, and shared by many foreigners, to consider Bismarck the founder of German unity. He did the contrary: by stigmatising Catholics, socialists and democrats as enemies of the Fatherland, unworthy of having any share in power, he split up the people into a mass of parties, each distrusting and hating the other, and made political life the dismal thing it is still in my country. But before destroying the moral unity, which had never been great, he had even done worse, he had actually destroyed the political unity of the German nation which had existed for a thousand years. He embodied the Alsatians and Lorrainers in the Empire, which they detested; made the Poles and the Danes within our frontiers embittered enemies; and drove out, in spite of their passionate desire to remain with us, nearly thirteen millions of Austrians, the majority of German extraction, and many others on the point of becoming Germanised. The object of this "big man," as Gladstone called him, refusing him the title of a great man, was not to unite Germany, but to subjugate to Prussia as much of Germany as possible; and even a man of less political intuition than Bismarck could see that Austria was far too big a morsel to be swallowed by Prussia. His resourceful mind, however, found an outlet by afterwards making the Dual Alliance, which placed the Austrian military force under control of German politics, and so replaced the *political* unity which Bismarck annihilated by the *military* unity of Germany, of which he is indeed the founder. He could not foresee that weak successors would subvert this relation and at last enable the worm-eaten Austrian frigate to take in tow the German *Dreadnought* and drag her into war and ruin. But the same Great War in which the two central powers had valiantly fought alone against the world, and had suffered and collapsed together, aroused in both the general feeling that the two powers, having lost every other friend, had now a right to unite their fate and

to struggle together towards a better future. We were the more convinced of this right, as the self-determination of peoples had been one of Wilson's points, and, as such, had formed one of the conditions of the Armistice. It was a terrible blow to this hope, and to confidence in the promises of the victors, when we had to subscribe to article 80 of the Peace Treaty, declaring: "Germany acknowledges, and will respect strictly the independence of Austria . . . she agrees that this independence shall be inalienable except with the consent of the Council of the League of Nations." Especially bitter was the *form* of this article, with its imputation that we wished to annex Austria, although Austria had declared over and over again that it saw her only hope in a return to the Reich. But the men in Weimar could not believe that the Allies had spoken their last word on this question, and, sure of Austria's wish to throw in her lot with us, they added a second section to article 61, declaring: "After joining the German Reich, Austria will be entitled to be represented in the Reichsrat by a number of votes proportional to her population. Meanwhile, the Austrian representatives may take part in the deliberations, but may not vote." This was not a contradiction to the mentioned prohibitive clause in the Peace Treaty as the Allies immediately pretended, because article 178 declares that "the provisions of the Treaty of Peace signed at Versailles on June 28th, 1919, are not affected by the Constitution." So the admission of Austria to the Reichsrat would have come into force only after the Council of the League had allowed the union. Nevertheless—and this was a new blow, and perhaps a still more humiliating one—this view was not accepted, and on a threatening note of the Allied Powers we had to declare on September 22nd, 1919, that the article was null and void. So the idea of creating a really German Reich had to be buried, but it has been buried alive, and is sure to be resurrected one day. It will certainly not meet with the disapproval of English public opinion, although the problem is full of difficulties and dangers of every kind. This, then, is the first and very important example of how the Constitution has been prevented from being turned into a political reality; the ultimate reason is that, as article 178 shows, we have two Constitutions: the Constitution of Weimar and that of Versailles, and the latter is the stronger one in law and in reality. It is always difficult to live under two Constitutions; it is nearly impossible to live under two contradictory ones, the one inspired by the principle of democracy, the other by the right of the stronger. There are authors who declare that our true Constitu-

tion, a Constitution being the fundamental law of the State, is the Peace Treaty, and not the work of Weimar. There is something to be said for this pessimistic view. Look, for example, at Part XII. of the Treaty, which internationalises all the great German rivers, and places them under the administration of international commissions. These embrace members of the Allied Powers, England included, of certain neutrals, and of the German riparian States, but the latter members are always in the minority, and the Reich is not represented at all.

The second fault, which the makers of the Constitution tried to avoid, was the hegemony of Prussia. Now this was precisely the structure of the Reich that Bismarck had in view. He would have preferred to annex not only Schleswig-Holstein, Hanover, Hesse-Cassel, Nassau and the City of Frankfurt, but much more ; Francis Joseph, however, would not sacrifice his ally the King of Saxony, and the Tsar protected his cousins, the King of Württemberg and the Grand Duke of Hesse, and so Bismarck had to be contented with a veiled supremacy of Prussia and a fictitious constitutional equality with her of the other German States. He therefore framed the Constitution as a federal one ; sovereignty was not conferred on the King of Prussia, whose title of Emperor was a mere title ; sovereignty was vested in the Bundesrat, the Federal Council. This organ of the old Empire was mainly a permanent assembly of ambassadors, representing the Princes of the free cities, but it had been endowed with legislative and administrative powers as well. Each State, even half a dozen miniature States of forty to one hundred thousand inhabitants, had a vote, the greater had several votes, but even Prussia, which embraced two-thirds of the population and territory, counted only seventeen votes out of fifty-eight. No law could be passed without the consent of the Reichstag and the Bundesrat, and the latter had the important function of issuing legal and administrative ordinances. So in principle the federal character of the Empire seemed to be maintained, and Prussia alone appeared to be powerless. But the details of the Constitution, and still more the political reality, were very different. The truth was that Prussia counted for nearly everything, and the other States for nearly nothing. In the Federal Council the President was entitled to veto any innovation regarding the army, the navy, the customs, and the federal taxes, and the Presidency was, of course, the privilege of Prussia. Amendments to the Constitution could be vetoed by fourteen votes, so that Prussia alone was able to do so. But generally there was no need for division : the minor States

did not venture to vote against Prussia. Her economic, political and military preponderance was simply crushing, e.g. the great majority of the German railways belonged to the Prussian State. If another State was refractory, its commerce could be ruined by applying differential tariffs. Bismarck is even said to have threatened some of the smaller States that, if they would not vote as he wanted them to do, he would order the express trains not to stop at their capitals. The Prussian navy became the Imperial navy, the Prussian Foreign Office the Imperial one. In the army there were twenty-three army corps, three Bavarian, two Saxon, one from Württemberg; all the seventeen others were Prussian. But the most important privilege of Prussia was that her King was at the same time the Kaiser. It was he who appointed and dismissed the Chancellor and the whole federal government which was responsible to him alone. But the Chancellor of the Empire was at the same time necessarily the Prussian Minister of Foreign Affairs and nearly always the Prussian Prime Minister. It was, therefore, the Prussian Cabinet with which he had to keep in close touch, that really governed the Empire, and the Prussian Cabinet was deeply influenced by the Prussian First Chamber, in which the Junkers were all-powerful. Moreover, the Kaiser, or rather the King of Prussia, appointed all the officials of the Empire; he summoned and dissolved the Reichstag; he represented the Reich in its foreign relations, he concluded alliances and treaties with other powers, declared war, and was the supreme War Lord. This title has, however, been grossly misinterpreted in other countries; it had no mystic significance of a vocation to make war; it simply meant that he was supreme commander of the German army, and then only in war-time, because, as I said before, in peace-time he shared this power with the three other German kings. So the title "War Lord" was quite innocuous, although its latest bearer himself, unfortunately, was less so.

Now the new men had not the slightest intention of maintaining this Prussian supremacy. They were ardent Germans, not Prussians; and they were democrats, and very rightly saw in Prussia the bulwark of the militaristic and bureaucratic reactionary forces. Especially was this the feeling of the real father of the Constitution, Professor Preuss, whose *nomen* Preuss was not an *omen*, for he heartily disliked the Prussian system. This antipathy had been mutual. Although universally recognised as one of our foremost constitutionalists, he, being a democrat and a Jew, had not been able to get a University Chair, and had to be contented with a post in the Berlin School of Commerce. Now

his time had come. He was made Home Secretary in the new Republic, and entrusted with the working out of the Constitution. His draft aimed at nothing less than at the dismemberment of Prussia, and the creation of a unitary German State with the new distribution of the whole territory according to tribal, cultural and economic affinities. The old States, according to the principal argument of Professor Preuss, had lost their *raison d'être* after the disappearance of the dynasties, and the revolution would have been meaningless if the people did not seize the opportunity of attaining the national unity that other nations had attained so long ago. But the new Germany, although unitary, was not to become a centralised State on the pattern of France and Italy; its provinces were to be autonomous in a high degree and to preserve their historical traditions as far as possible.

This unitary scheme did not meet with favour, for reasons which we shall learn later on. The federalistic criticism was very bitter, and the result was an amendment of Professor Preuss's draft, which represented a compromise between the two tendencies, and has been embodied in the present Constitution. Prussia has not been dismembered, but her constitutional privileges have all gone, and the Reich has remained a federation in *political reality*; but it is a most moot point whether it has remained so by *law*.

Let us consider the latter question first. Is the Constitution of the Reich, which was undoubtedly a federation under the Empire, now a unitary or still a federal one? I have till now not prejudiced the answer and have spoken not of the German Federation, but of the German Reich. So do the French authors, too, because they could not stand the sight of Germany sitting according to diplomatic etiquette at the top of the alphabetical list of the States, and desired to make le Reich Allemand sit near the end, between Portugal and Rumania. The majority of German authorities declare that the Reich is still a federation; a minority of authors, to which I adhere, teach that the Reich has become a unitary State. If the first opinion holds, then Germany is a State consisting of secondary states. If we approve of the second theory, then the Reich is a State composed of autonomous and self-governing provinces. At first sight it would appear that the latter standpoint must be the legal one, because the Constitution avoids the terms "state" when speaking of the parts of the Reich, and calls them "Länder," i.e. territories. But naturally this linguistic argument is not decisive, and the whole problem turns upon the far more difficult point: What is the difference between the two nations, state and province, or any other self-

governing part of a state? The answer was formerly: sovereignty, but this answer has been almost universally abandoned; the different Republics composing the United States of America are certainly not sovereign, but are, nevertheless, states. The prevailing theory in Germany is now the following: the State, even the smallest and least powerful, is a body politic in its own right; i.e. its power, however limited, is original and self-determined, not emanating from any other power. But even the greatest and most powerful self-governing province or municipality, however far-reaching and multilateral its power may be, has a delegated power; it has no more power than the State has entrusted to it, and the state can take what it has given. This theory is neither true nor false, because questions of definition are never questions of truth or error, but questions of fitness or unfitness. Now the prevailing theory is unfit to explain reality. Many federations have been unitary states before they became federations: e.g. the present Austria, or the Argentine States, which now form a federation, derive their power from the new federal Constitution, and are, therefore, not bodies politic in their own right. But they are *states* in the sense that their new power cannot be wrested from them by a law of the federation. This, then, leads to a more fitting theory, namely that the criterion between state and province must not be sought in the origin of their power but in its legal inviolability. A State remains a state if its power, even though very limited, and subject to an ever-increasing limitation, may not be by law entirely annihilated without its consent. If you apply this criterion to the Imperial Constitution, you will see that it was indeed a federation, because at least the bare existence of even the smallest member was guaranteed by the Constitution: neither the Reich nor still less the leading state, Prussia, could deprive it of its representation in the Bundesrat. But the new Constitution is quite another matter. The decisive article is No. 18, which says: "The organisation of the Reich into States shall be such as to promote the highest economic and cultural efficiency of the people, the wishes of the population concerned being taken into consideration as far as possible. Territorial alterations of States and the formation of new States within the Reich are effected by acts of the Reich passed in the form prescribed for amendments of the Constitution," etc.

Now the laws of the Reich, even those amending the Constitution, are enacted by the Reichstag alone or in quite exceptional cases, by a direct decision of the people. The Reichsrat, representing

the territories, has only a consultative vote. Therefore, article 18 can be applied without the consent of the territory in question, and even without the consent of the population in the district to be detached. It would be legally possible to detach the Bavarian Palatinate and to unite it with Prussia or Baden, or to abolish Bavaria altogether, and to divide her between say, Prussia and Württemberg, or to split up Prussia into a dozen provinces, and all this could be done by a decision of the Reichstag, without the consent of the respective governments and populations. The territories have in consequence ceased to be states, and so the Reich is a unitary State and no more a federation. When I explained this significance of article 18 some years ago to an ex-member of the Constituent Assembly of Weimar, a convinced German federalist, he was painfully surprised and striking the table with his fist exclaimed: "Confound it, I would never have voted for the Constitution if I had seen that article before." There are other articles which confirm this view, especially article 17, which prescribes for every territory not only the principles, but even certain details of their Constitutions, e.g. who is to have the franchise in the communal elections? The territories cannot change their Constitutions in any important point, and the Bavarians to their great grief cannot enthrone Prince Rupert without breaking the Constitution of the Reich. Such territories can certainly not be called States proper. But let us look at the situation from another aspect. Till now I have only given the strict and formal legal aspect, the dogmatic interpretation as we call it. The right of the Reich to treat its territories as provinces is unquestionable, but it could not dream of using such a right. It is true that there have been three applications of article 18 in the last years; a part of Waldeck has been united with Prussia, a part of Saxe-Gotha, namely Coburg, has been united with Bavaria, and the rest of Saxe-Gotha has united itself with six other small neighbouring States and now forms Thuringia; but in all these cases the interested parties were agreed. It would have been quite impossible to enforce one of these trifling innovations, to say nothing of bigger ones, and quite unthinkable to make a gradual, rational reorganisation of the Reich according to its present political, economic and cultural interests. This failure of the unitary tendencies, so strange, considering German efficiency and thoroughness, demands an explanation. The reasons are in part historical ones. German patriotism has always been divided, in part directed to the Fatherland, in part to the tribes or the dynasty or the particular States, and very often, e.g. in Bavaria,

particularism has been stronger than the feeling for the Reich. This is not to be wondered at ; national unity, if voluntary, has always been the fruit of united military action. We should get the United States of Europe if she were to be attacked by Asia, and the solid universal League of Nations on the same day that the inhabitants of Mars went to war with the earth. The great majority of the German wars, however, have been fought between the Germans themselves. The latest war would have changed all that had it been victorious, but having ended with a military collapse and an inglorious revolution, a humiliating armistice and an intolerable peace, the effect was the contrary. The Reich was disgraced and the territories shone in the aureola of a glorious past. This is especially the feeling with Prussia, and it is shared by the Prussian socialists. They, moreover, have a special reason of their own : they fear that after the dismemberment the eastern provinces would, under the influence of the Junkers, turn reactionary, and so escape their control. The other states, especially Bavaria, fear that if Prussia were dismembered, it would soon be their own turn, for their territories also are the result of war, dynastic marriages and other incidents. Many people, besides, said that the war had produced ruins enough, like Austria, Hungary, Russia, it would be folly to augment the number of these picturesque remains, and Germany would overcome her terrific difficulties far better if she remained in possession of her efficient civil administration. Then there are the monarchists, especially in Prussia, who fear that changes of boundaries or the disappearance of territories would imperil the restoration of the dynasties. The most decisive reason, though, was not sympathy for Prussia, but antipathy against it. The Prussian State is unjustly unpopular everywhere in Germany, except in certain parts of Prussia herself ; her capital, Berlin, is disliked even in Prussia ; and it was feared that the unitary Germany, with Berlin as her capital, would mean nothing less than the definite Prussianising of the whole Reich. Other reasons of a still less ideal nature are the desire of the territorial bureaucracy to be spared the competition of better men from other parts of the Reich, and the narrow-minded timidity of the Philistine in facing a new situation.

A Pomeranian Junker official would be disgusted at the idea that he could be transferred to a truly democratic country like Baden, where even Cabinet Ministers are not ashamed to travel third, or even fourth, class. A real Bavarian schoolmaster would prefer to die in Munich than to live in Königsberg and drink the

beer concocted in the town of Emanuel Kant instead of his Hofbräu. For these, and other reasons, the German Constitution will remain in fact a federal one, and the political unity, which England attained in the eleventh, France in the thirteenth, and Italy in the nineteenth centuries, will continue to be a dream for a long time to come.

But the new federation is very different from the old as regards Prussian supremacy. Of course, Prussia is still by far the greatest State of the Reich. Although all the territorial losses due to the Peace Treaty have been imposed on Prussia alone—for Alsace-Lorraine, though autonomous, was under the sway of the Prussian Government—she still embraces more than three-fifths of the whole population and the whole area. However, all her constitutional privileges have gone. The king of Prussia has not even found a successor in a State President and the Prussian cabinet has no longer any connection with the government of the Reich. The two cabinets are distinct. The Prussian veto in the Federal Council against innovations of legislation has disappeared; so has the Prussian Presidency of that Council, the Prussian army, the Prussian Foreign Office, the powerful Prussian railway system: everything has been inherited by the Reich. Of course, Prussia is still represented in the Reichstag and in the Federal Council, now called the Reichsrat, but in the Reichstag only according to her population. The Constitution of the Reichsrat on the contrary has two clauses directed against Prussia and against Prussia alone. I have read the first: "No State may be represented by more than two-fifths of all the votes." This clause does not demand long explanation—a Prussian majority was to be avoided. The second clause runs as follows: "Article 63. The States are represented in the Reichstag by members of their Governments. One half of the Prussian votes, however, is assigned to the Prussian provincial administrations," so that of sixty-six votes in the Reichsrat, only twenty-six belong to Prussia, and half of those to her thirteen provinces. The scope of this clause is evident: it was to be the beginning of the end of Prussia, as a political unit. As the provinces are self-governing, their vote is independent of the politics of Berlin. It was expected that, e.g., the catholic provinces in the west would sometimes vote with catholic Bavaria or the agrarian provinces of the east with agrarian States like the two Mecklenburgs, and so loosen the tie that united the Hohenzollern Kingdom. I do not think that these expectations have been fulfilled in a single case, but on several occasions something has happened that the democratic fathers of the Constitu-

tion did certainly not expect. They wished to dismember Prussia as the centre of reactionary spirit, but by giving the provinces such an amount of independence they have enabled the nationalists among them to counteract the democratic policy of the Prussian Government which since the revolution has always been in the hands of the Republican parties. For example, when the Reichsrat had to deliberate on November 28th, the law approving the treaty of Locarno, four provinces voted against it. This, however, will be henceforth impossible, because a Prussian law enacted only some weeks ago prescribes that before the Reichsrat assembles, the representatives of the Governments must come to an agreement by a majority decision, the Prime Minister having the casting vote. The nationalists consider this innovation as contradictory to the Constitution of the Reich and I, for once, side with them.

So this manner of slowly hollowing out the Prussian oak has not been successful. Its structure has proved solid enough on two other occasions. There has twice been an attempt to apply article 18 in its original anti-Prussian sense. During the struggle for the possession of Upper Silesia, the Prussian Government was afraid that many inhabitants would vote for Poland, not out of aversion to Germany, but to Prussia. It was, therefore, promised a plebiscite in that part of the district that would remain German on the question, whether that district should form a Prussian province or a German State. This vote was taken on September 3rd, 1922, and was, with a great majority, in favour of Prussia. The second instance happened in Hanover, where there is a strong party called Guelph, which is not yet reconciled to the events of 1866. Of course, they had no chance under the royal régime, but now they believed that their day had come. But this attempt again proved a complete failure. On this occasion, on May 18th, 1924, when the necessary preliminary vote took place, the Prussian Home Secretary, Herr Severing, and the President of the province, Herr Noske, although both social-democrats, started and encouraged a violent agitation in favour of the unity of Prussia, that very Prussia that they had always considered as the root of so many evils. Indeed, as in Prussia, so in Bavaria, the socialists, as soon as they have taken office prove to be ardent particularists, in accordance with the old saying that one can make a socialist a minister without getting a socialist minister. A far greater danger threatened from the Rhineland. The Rhineland is perhaps the least Prussian, but certainly the most German part of Germany. It has never liked the Prussian domination,

which, although 60 per cent of the Rhineland population are strictly Catholic, had been strictly anti-Catholic. Immediately after the break-down, nearly the whole Rhineland was determined to form a territory of its own; of course, remaining a part of Germany. Such a separation of the richest part of Prussia would have been a deadly blow for her, and probably would have been imitated in several other parts of the State. But as soon as the foreign occupation was enforced by France—against the wishes of the English Government—and as it became clear that the French intended to stay there for good, this agitation was postponed by identical decisions of all the parties. So M. Poincaré has saved Prussia from destruction. He then tried to organise the movement himself. This movement, known as Rhineland separatism, however, did not aim at separation from Prussia, but from Germany. The separatists were, with few exceptions, a gang of common criminals, armed by the French Generals and living in part on M. Poincaré's subsidies, in part on theft and plunder. English correspondents and the British Consul-General at Munich have, to their credit, denounced the true character of the agitation. At last infuriated citizens and peasants killed hundreds of the separatists like mad dogs, and with the defeat of the *bloc national* in the last French election, this movement also subsided. It is possible that the genuine and loyal idea of separation from Prussia only will revive when the Rhineland is free again, i.e. in nine years, but in the meanwhile Prussia is safe enough.

So, in spite of the anti-Prussian clauses in the Constitution, Germany has remained a greater Prussia, surrounded no longer by twenty-five vassals, but by 17 lesser states. This proportion of power has, of course, a great influence on the working of the Constitution. The legal predominance of Prussia has disappeared, but the political predominance has remained. It is true that the Government is no longer composed of Prussian subjects alone, as was the rule with few exceptions in the old Empire. Baden, for example, has supplied the first President of the Reich, Herr Ebert, and two Chancellors. But in many respects the separation of the cabinet of the Reich and that of Prussia, both of them in Berlin, has proved impracticable and great influence still remains with the Prussian Minister. For example, the Home Secretary of the Reich is far less powerful than his Prussian colleague, for he has no local staff at his disposal and his colleague has an army of officials. Thus the execution of the laws of the Reich concerning home affairs is entrusted to another state, and

if the secretary of the Reich wishes to convince himself how his laws and ordinances are working, he is dependent on such documents and evidence as his Prussian colleagues deem useful to produce. Now the Prussian Home Secretary has always been a socialist, and the Secretary of the Reich has often belonged to another party, sometimes a party of the right. Vast difficulties and complications must be the consequences of such an imperfect Constitution. Erzberger, one of the ablest minds of modern Germany, perceived the problem, and therefore shifted the enormous apparatus of customs and taxes on to the treasury of the Reich; but before he could continue his salutary work he was murdered.

I have dwelt at some length on these problems, because they are those parts of German constitutional and political life which are the most difficult for a foreigner to understand. Foreigners are generally quite satisfied if they know something about Germany as a whole, but unfortunately every word our statesmen speak, and everything they do, must be calculated for their effects on the different States composing the Reich, especially Prussia, and still more Bavaria. And it is obvious that these calculations are often not fitted for public explanation. Many people in Germany believe that the British Dominions are mere colonies, and if a British Minister says that he cannot give a certain promise without consulting the Dominions, this is considered a trick to enable him to play a double game. It is a similar mistake to believe that the German Cabinet is a Cabinet of a unitary State. To understand German politics one must understand far more geographical and historical details than would be necessary to understand the politics of any other country. German geography and German history are, I am told, not the strong side of English education, and it is perhaps for this reason that I have never met with an Englishman who understood German politics thoroughly, just as no German I have met has understood English law.

But the most important feature of the new Constitution—and this is my third and last point—is its democratic structure. I will not dwell on the fact that Germany is now a Republic, because that does not prove that it is a democracy. History has seen many aristocratic Republics, like ancient Rome or mediæval Venice, and according to our most famous constitutionalists, Imperial Germany, too, was a Republic, because Kaiserdom was only a title, and sovereignty rested not with a single individual, but with the assembly of individuals, the Federal Council. I do not share this artificial conception, but certainly Imperial Ger-

many was no democracy, and here lies the greatest innovation of the Constitution.

The fact that Imperial Germany was not a democracy does not need a long explanation here, but we cannot appreciate the stage which Germany has now reached, unless we consider that from which she started. She had to cover, in less than a year, a distance which it took England far more than a century to traverse. The subjects of the Kaiser, however, seriously believed that they lived in a real democracy, and so did certain learned, but ill-informed, foreigners, like Professor Woodrow Wilson who, in a speech of 1909, held up Germany as a model of popular Government for the United States. The reason was probably that no law could be passed without the consent of the Reichstag, and the franchise was one of the most democratic in the world: equal and secret suffrage for all male Germans over twenty-five. But Bismarck, who had often proclaimed as his device, "Gegen Demokraten helfen nur Soldaten," would not have conceded this franchise had he not been convinced that it would be no more than a toy in the hands of a people lacking political education, and still more a means to conceal the true autocratic character of the Constitution. For, as I need not explain in England, the question whether a State is a democracy does not depend on the structure of the Parliament, but on its relation to the Government. A State is a democracy, if its government is responsible to the people; it is an autocracy, if its government is responsible to an irresponsible Prince or to nobody. Now there was no legal or political responsibility in Germany. The Reichstag was allowed to bark, but not to bite. If the actions of the Chancellor were disapproved by Parliament, he shrugged his shoulders and said: "The confidence of my master has put me in this place, and here I am resolved to stay as long as His Majesty wishes." And the parties of the Right applauded. It is true that the Chancellor by counter-signing the signature of the Kaiser assumed responsibility, but this only meant, responsibility to his master, in the sense that he recommended and approved a certain measure and was willing to bear the consequences if it should prove a failure. This served as a protection to the Kaiser, but did not give the people power. In Prussia even, if the position of a minister was shaky, he arranged an attack on himself in the Press or in Parliament, and then his position was safe again, because the authority of the Crown was at stake. That might have happened in the Reich, too. Sometimes, however, an important Government Bill was out-voted, and then the Bundesrat, with the consent of the

Kaiser, dissolved the Reichstag, influenced the new election through some patriotic catchword and was nearly certain to get a majority in the new Reichstag. Such a caricature of Parliament had no attraction for men of talent. All our best brains went into industry, to the universities, the army, or the civil service, and so in a vicious circle, through the absence of the real leaders, the Reichstag became still more powerless. Bismarck showed his contempt for Parliament on every occasion, and as it allowed him to do so, it deserved it. Bismarck alone governed the Reich and, therefore, after his fall, we had thousands of captains of industry, but not even one sergeant-major of politics. It is one of the functions of Parliament to educate political leaders, but only a powerful Parliament can serve as such a school. So it is Bismarck who is responsible for what followed, and not we, as people believe in Germany as well as in England. His various successors only fixed the details of politics; the main lines and the principal decisions were nearly always, except in financial questions, the work of the Kaiser. The world knows the result of his statesmanship, although his Chancellors, especially the very capable Prince Bülow, were generally able to prevent the worst. It is unjust to lay the responsibility for the consequences of this system on the German people. The people at large, even the members of Parliament, knew nothing of what was happening, of what was being prepared or prevented in the Wilhelmstrasse. Of course, it is bad enough to tolerate such a system, and no advocate can discharge our people from their share in the guilt; but between doing a thing and tolerating its being done by powerful men without really knowing what they are doing, there is an enormous difference. The autocracy, however, was nothing peculiar to Germany. There have been many different types of autocracy in recent years: that of Mussolini, that of the Sultan, that of the Tsar, who nevertheless was a cherished ally of several democratic countries. The peculiarity of German autocracy was its militaristic note. Militarism, considered as a legal system, I would call the separation of power and responsibility—a system in which the man who has the power has no responsibility, and the man who has the responsibility has no power. The responsibility rested with the Chancellor, the power with him who had the command of the army, and that was the King of Prussia. For his purely military orders he did not even need the counter-signature of the Prussian War Minister; if the orders affected the Budget, they had to be counter-signed, but the Budget was voted by the Reichstag, and the Reichstag could not question a

Prussian Minister—a Prussian Minister could be questioned only by the Prussian Diet, and this Parliament was not interested, because it did not pay the army. So thanks to this artificial system, the army, although it cost the German people so many billions, was not only not responsible to the Reichstag, but to nobody at all; the army was a State within the State. This, then, was pure militarism in the constitutional sense of this word. The War, in which the general staff deprived the Kaiser as well as the Chancellor of nearly all their power, demonstrated the débâcle of the militaristic system. You may entrust a general with nearly anything, but on no account allow him his own way in war. The militaristic system fell in the last days of the Empire. It is often forgotten, even in Germany, that in those exciting days preceding the Armistice, under the Government of Prince Max, two fundamental laws were passed, which abolished the militaristic autocracy: on October 18th it was enacted that every military decree of the Kaiser had to be counter-signed by the Chancellor, or the respective War Minister, and that they were henceforth responsible to the Reichstag; on the 28th, that the Chancellor was responsible to the Reichstag for every political act of the Kaiser, and for his own actions, and that he required the confidence of the Reichstag. So the dire lesson of the last war had forced Imperial Germany to become a Parliamentary monarchy of the English type, and it certainly would have remained a monarchy if the Kaiser had then abdicated in favour, say, of his grandson. It was his obstinate refusal to do so, although peace was impossible as long as he reigned, that made the revolution inevitable, and so the Kaiser let loose the revolution, much as he and his continental fellow-statesmen had let loose the war: namely, without knowing what they were about.

The new Constitution of 1919 is, therefore, only the continuation of that of 1918, but it is at the same time the continuation of the Imperial Constitution. The Reichstag has remained the Reichstag, and the President has taken the place of the Kaiser. Both organs, however, have undergone thorough transformations in a democratic sense. Let us first consider the Constitutional position of the President, as an organ of democracy. This position is a mixture of the American and the French system. The American element consists in the fact that the President is elected by the people, and not by Parliament as in France. We deliberately adopted this system, because we desired a "check and counterbalance" against the power of Parliament, and this was the more necessary, as we had adopted the single chamber system,

with no modifying influence of a Senate. The Federal Council is not a Parliament at all, but a representation of the Governments of the States, and has only a consultative vote. The President chosen by the people would be, so it was believed, as strong as his brother, the Reichstag. That this was the aim is shown by several of the functions attributed to the President. He may dissolve the Reichstag, but only once for any one cause (article 25); he appoints and dismisses the Chancellor (article 53), but he cannot appoint a Chancellor who has not the confidence of the Reichstag, and if this confidence is withdrawn he cannot retain him in office (article 54). Finally, he must authenticate and promulgate all laws constitutionally enacted (article 70), but before the law is promulgated he may submit it to the popular vote, which gives a final decision (article 33, 34). All this shows clearly that the President was intended to be equal in power to the Reichstag, neither more nor less. But, so it was hoped, he would not be its enemy as the electorate was identical in both cases, consisting of all men and women above twenty years of age. The President, so was the further intention, would be the significant symbol of the Republic, for the obvious reason that monarchies as well as Republics have Parliaments, but only Republics a President. But reality has again proved widely different from theory. We have had two Presidents, Herr Ebert and Herr von Hindenburg, but the first has not been elected at all, and the second has certainly not been elected as a symbol of the Republic. Herr Ebert was appointed by the Constituent Assembly on February 11th, 1919, and was confirmed in his office by a special article of the Constitution (article 180), until June 30th, 1925. The reasons were purely political: in the first year, when great parts of the Reich, the west, the north and the east, were occupied by foreign troops, we did not wish to hold any elections that could be avoided. Afterwards, the non-socialist parties did not wish to vote for a social-democrat, but had no suitable candidate of their own. The parties of the Right never ceased to point to this anomalous situation, and Herr Ebert, not being the trustee of the people, never had the authority due to his universally recognised qualities of character and intellect. After his premature death, to which these attacks seem to have contributed, Herr von Hindenburg was elected on April 26th, 1925, as a candidate of the monarchical parties and, as many of his electors hoped, as a deputy of a future Kaiser. But again the course of events was the opposite to what was hoped or feared. Hindenburg, although indeed a devoted monarchist, has faithfully

kept his oath to maintain the Republic, and it becomes more and more evident that his mere presence in the Presidential palace has served as a better shield of the Republic than any Republican President could have done. But, of course, he is far from being considered or considering himself as the representative of Republicanism as opposed to monarchy.

The second aim of the Constitution has also not been attained, not owing to unfavourable political conditions, but on account of the inconsistency of the Constitution. We have here to explain one of the most generally censored defects of the work of Weimar. If its fathers really wished to make the President a check and balance to the Reichstag, then the authors ought to have gone farther in the American direction and made him the head of the Cabinet and of the whole administration of the Reich, the Cabinet being responsible to him and not to Parliament. But the deputies of the Constituent National Assembly feared that such power would pave the way to a future dictatorship, and the satisfaction of having power at last was too great to allow them to share it with a powerful President. So we tried to take a middle course by fashioning the rôle of the President after the French pattern and making him dependent on the counter-signature of the Chancellor or the competent Cabinet Minister, and the whole cabinet dependent on the confidence of the Reichstag. It is the prevailing opinion that the President can never act in opposition to the Reichstag, and could never really use the three functions of his high office which I have mentioned, as he would not find a Minister to assume the responsibility for such acts, the Minister generally being himself one of the leaders of the Reichstag parties. So the whole Constitution seems inconsistent in this decisive point. "The wizards of the Constitution," says that eminent critic, Mr. Heinrich Oppenheimer, "threw into the boiling cauldron the most precious extracts collected in foreign lands, mixed the ingredients with characteristic disregard of chemical and physiological incompatibilities, stirred up the brew, added one ounce each of native suspicion and home-grown distrust, and out stepped the strangest homunculus—the President of the Reich." Many German authors share this opinion. I do not. I think it a faulty juristic method to presume a contradiction in law as long as there are any means of explaining the contradiction as being only apparent. Every man has the right to be treated as sane as long as he is not proved to be mad; and, I should think, the legislator can demand the same consideration. If the literal text of a single article of the law is in contradiction to its principles, then the

conclusion I prefer to draw is that the letter of the article must be made to square with the principles by the means of interpretation. Now the article on which the foregoing theory is founded is article 50, which says: "All orders and decrees of the President of the Reich, including those relating to the Defence Force, in order to be valid, must be counter-signed by the Chancellor or by the competent Minister of the Reich. Such counter-signature implies assumption of responsibility." This article I interpret as tacitly involving a clause: "with the obvious exception of those orders and decrees which the Constitution itself entitles the President to direct against the Reichstag or the Cabinet." I therefore believe, and a few other authors are of the same opinion, that the President can dissolve the Reichstag, appeal to the people and appoint the Chancellor without counter-signature. The stumbling-block is, of course, the word "all" orders and decrees, but this word can easily be explained by the following words, including those relating to the Defence Force, because the old Prussian Constitution had expressly excluded them. If you accept this interpretation, the Constitution is no longer an absurd attempt to blend two contradictory systems, but a logical and tactful middle way between two extremes: the nearly almighty American and the purely decorative French Presidency. But I must confess that here again, theory—the correct theory—and practice, are opposed to each other. The wrong theory is so deeply rooted, and has been so vigorously expressed, even in the deliberations of the Constituent Assembly, that there is little chance of a President making use of those independent functions. This would not only arouse the political opposition of the Reichstag and the Cabinet against which it was directed, but would also appear to both as an illegal act, as a breach of the Constitution, and would expose the President to the danger of being impeached. So I believe the Reichstag will be the master of Germany as long as the Constitution remains in force.

But this applies to ordinary times only. If public order or security are seriously disturbed or endangered, says article 48, the President may take all necessary steps for their restoration. In such an exceptional State, as we call it, he has the right to issue emergency decrees without the previous consent of the Reichstag, but, of course, with the counter-signature of a Minister; the Reichstag may afterwards demand their withdrawal. The President may also in these cases suspend certain of the fundamental rights. Unfortunately in practice this exceptional state of affairs has nearly been the rule in the first agitated years, and

from 1920 to 1923 no less than ninety-nine cases of enactment or withdrawal of such Bills have occurred.

It is, of course, true that the Constitution has provided another check to the omnipotence of the Reichstag, with the intention of controlling its power and also of securing the first prize in the race for democracy to the new Germany, far ahead of France, to say nothing of England. And as very few democratic institutions had till then been "made in Germany" we borrowed this *ne plus ultra* of democracy from Switzerland. This institution is the referendum, that is the decision of a law by the people and the initiative, the right of the people to demand that a Bill be dealt with by Parliament or by the people themselves. Our referendum is in no case compulsory, but in several cases optional, and can be employed only if a decision of the Reichstag has preceded it (article 73-76). The President may always demand a referendum on a law passed by the Reichstag, and he must do so if he wishes a law to come into force which has been voted by a simple majority of the Reichstag in spite of a protest of the Reichsrat. Again, the Reichsrat can demand the people's decision in case of a conflict with the Reichstag, but only if an amendment of the Constitution is in question. Finally, one-tenth of the electorate can initiate a referendum and one-twentieth is sufficient if a law has been postponed for two months on the instance of one-third of the members of the Reichstag. In this latter case the referendum is inspired by the ideal of Liberalism, because it serves to protect the rights of the Parliamentary minority; but in all other cases it is a purely democratic measure. Its purpose is to introduce the system of direct democracy—which we had already seen at work in the election of the President—and so to counter-balance the representative democracy embodied in our single chamber Parliament. Alas, this purpose again has not been attained. The system is extremely complicated, as my mere summary sketch has probably been sufficient to show, and therefore has no chance of becoming popular; but even if the referendum should be attempted, the chances of success are still worse, for a decision of the Reichstag can be invalidated by popular vote and veto only if the majority of the whole electorate votes for the veto. In such a case, therefore, the parties of the Reichstag, against whose decision the referendum is directed, could do no better than to advise their adherents to refrain from voting. The parties of the opposition would then be forced to unite the majority of the whole electorate, about 20 millions of men and women, and those who went to the polls could not do so without revealing the direction of their vote.

Again, the parties of the opposition would bear the whole expense of the agitation, which would amount to at least two or three million marks, and as no party has now any money to spend, this is another practical difficulty of the first order. Indeed, there has not been one single instance of the referendum in the Reich in all the troubled years that the Constitution has been in force, although on several occasions, there has been much talk of making an attempt, as when the nationalists hoped that their idol, the present President, would appeal to the people against the decision of the Reichstag in favour of Locarno ; and when he did not do so, and signed what they called a treacherous renunciation of German territory, namely Alsace and Lorraine, their disappointment was great. It was then explained by the leaders of the party that Hindenburg had abandoned the idea of a referendum on account of the technical difficulties which I have explained. But the truth is that the old general, since he has begun to see and hear other people than his former purely military associates has been won over to the idea of international goodwill and understanding, and did not dream of endangering the historical deed of Locarno by a referendum of unpredictable result.

The Reichstag itself is likewise constituted according to the most radical pattern of democracy. Not only is the franchise universal, equal, direct and secret, not only are all men and women over twenty electors, although they only come of age at twenty-one, but the system adopted is that of proportional representation. The usual system for which a proper name as yet has not been found, as it existed in England and in the old Reich, too, was not a democratic system for two reasons : firstly it entitled the citizens only to vote, not to elect, because if the candidate for whom they did vote lost, then their vote is lost too, and so they do not contribute to the formation of Parliament and might quite as well have abstained from voting altogether. Such a system is only a voting system, and no electoral one at all. Secondly, it does not guarantee that the party which polls the majority of votes also gets the majority of representatives, even if the constituencies are equal in population, because the final result depends upon the distribution of the parties in the constituencies. It has, therefore, often happened in Germany, as well as in England, that a minority of voters elected a majority of deputies. This defect was specially serious in Imperial Germany, because the democratic municipal districts were enormously handicapped in favour of the conservative rural ones. The framers of the Constitution wished to avoid this undemocratic trait and, therefore, chose proportional

representation. The special system adopted was a queer but simple one, which had already been tried in Baden—the so-called automatic system. Here, not the number of the deputies is fixed by law, but the number of votes which entitle to a seat. A party receives a seat for every 60,000 votes polled in its favour. The choice of the member, and this is another characteristic feature, is determined by his place on the list, which the voter cannot change. For example, if a party scores 190,000 votes in one of the thirty-five electoral districts, then the first three persons named on the list are elected and the surplus 10,000 votes are allocated to other lists of the same party. This second trait has not worked satisfactorily, as the first one did, because the lists are made by the leaders together with the bureaucracy of the parties, which is much more developed in Germany than in England, and the single elector has no real influence on the nomination of the candidate. The bonds between the deputies and their electors become very loose, the central organisation of the party becomes omnipotent and the career of promising young politicians, if they are of independent character, is made more difficult every day. The only mitigating influence comes from a still less pure source : hundreds of professional or local organisations offer their votes to those parties, who place their secretaries at the top of the list, and if their offer is not accepted, threaten to favour other parties, or to start a party of their own. So the formation of a list has become a matter of vulgar bartering. The consequence is general discontent with the system, and many people now curse P.R. without seeing that the defect is not in the idea, but in the special system. There are several systems of P.R. where the elector does not vote for a whole list, but for a single person and then the surplus votes can be allotted in some way or other to other persons of the same party. Such a uninominal system, which is in force in certain Swiss cantons, and seems to be the aim of the present Government, would combine the advantages of P.R. with those of the non-proportional franchise. But even such a system would be exposed to another danger of P.R., which has always been predicted by its adversaries, and indeed came true in Germany. It is a temptation for the people to form a multitude of parties, because almost no vote is lost. We had twenty-four parties at the last election, whose names and programmes I hope you will not expect me to specify ; it will suffice to say, that only eleven of them were big enough to return at least one member to the Reichstag, but even this reduced number will probably seem sufficient to English judgment, and to my own too. The result

is, naturally, that every Government must be composed of several very different parties, and therefore must lack the two most necessary qualities of a Government, decision and stability. This shows that a Parliament can only govern if it resembles its mother, if it conforms to the English two or three party pattern. This is nearly unthinkable in Germany, where there have always been at least six or eight parties, and so it becomes doubtful if the whole Parliamentary system of democracy be compatible with German mentality. This is one of the reasons why so many people have begun to despair of the future of democracy in Germany, and have turned monarchists again—and that means, in Germany, reactionary.

But there are other reasons for this failure of the democratic ideal to become popular, far more important reasons of foreign policy, to which I will return presently, after having dealt with the last point. Our new Constitution has been made by pacifists, and this feature has been impressed on it more than on any other constitution in the world. This was consistent enough: pacifism is nothing else than the application of democratic principles to foreign relations, and the abolition of the right of the stronger as such, and its substitution by the equal right of every state, even the smallest, to security and existence. The Covenant of the League of Nations is nothing but a democratic Constitution of the world. The framers of the German Constitution have drawn these consequences. I would point out three articles, which might serve as a model for many other countries. Article 2 allows the incorporation of new territories only "if their population desire it in the exercise of the right of self-determination." This makes crude annexations henceforth impossible. I admit that this act of self-denial was easier for a disarmed country than for an armed one, and comes somewhat late in Germany, but better late than never. Article 45 prescribes: "Declaration of war and conclusion of peace are effected by a law of the Reich." This makes surprises like those in 1914 impossible, where only four or five persons in the Foreign Office and the General Staff knew what was really happening and the Reichstag was summoned only to vote the credits for a war already declared. Finally, article 148 prescribes that in all schools one of the aims of education must be the cultivation "of the spirit of international reconciliation." But again, and for the last time I must resort to that unfortunate "but": although we have had no occasions to abstain from wars or from annexations, we have had daily opportunity to teach international reconciliation in the schools,

and I am afraid very few teachers have done so and many have done the contrary. It would be insincere and useless, too, to deny that a great part of the people and especially a great part of the youth are far from pacific feelings, and that they are dreaming of new wars, not with England—this hatred has happily nearly died down—but with our neighbours in the west and the east. This dream is no more than a dream, for they have no arms fitted for modern warfare and all the leaders know it. But if so then such dreams need an explanation still more. It is a simple one, and it is the same that also accounts for the insufficient success of internal democracy.

Pacifism and democracy are the proper mentality in peacetime, but not in war. War will nearly always inflame militaristic and autocratic ideas. Well, the naked truth is that we are still at war. It is a latent war, an unbloody war, but war it is. Or would you call it peace as long as three foreign armies occupy an all-important part of German soil? Would you feel that you were at peace if the German, Austrian and Turkish armies occupied Lancashire and were resolved to occupy it for nine long years more? Terrible things have happened in the last nine years, more terrible things may happen in the next nine years. Nobody denies your formal right to occupy, but we deny that it is possible to sow war and to reap peace. You often complain that the German people are not penetrated by the feeling that they have lost the war. How can you expect it? As long as the war is going on, the war is not lost; it is not certain who will be the definite victor, and as long as the latent war is going on, there is no peace and no scope for democracy and pacifism. Make peace; give German democracy a fair chance of development in peace, and its development will surpass your hopes and our hopes which are the same.

The Organisation of the Swedish Money Market

By KARIN KOCK

IT is possible that the title of this article will give the reader the impression that there exists in Sweden a money market of the same type as in England or some parts of the Continent. But to use "banking system" instead of money market would be equally misleading, as Swedish banks have a much wider sphere of activity than at least the English banks. In fact, the work done in England by the joint-stock banks, the discount houses and billbrokers, the Stock Exchange dealers and brokers, etc., is in Sweden concentrated in the banks. The money market is, in reality, identical with the private banks¹ and the central bank, the Riksbank. The only open markets are the stock market and to some extent the foreign exchange market.

The Riksbank is the centre of the money market. It is a State institution governed directly by Parliament, the Riksdag. The Government has no other influence on the management of the Bank than that they appoint one of the directors, who is also the chairman of the Board. At first, the Bank, which was constituted in 1668, was a commercial bank, dealing directly with the public. For a long time it was, in fact, the only bank in Sweden. But during the last decades after 1903, when it obtained the monopoly of issuing notes, it has gradually changed into a bankers' bank only. Thus in 1913, 6 per cent. only of the assets were in the form of advances and discounts to private customers. The Bank has the right of issuing notes to an amount of twice the gold reserve and, in addition, a fixed amount of 125,000,000 kronor. In case of war or severe monetary crisis, the fiduciary issue might be increased by another 125,000,000 kronor. The fiduciary issue is covered by gilt-edged Swedish securities and foreign Government bonds or loans against such securities, inland or foreign bills, and foreign bank balances. In Sweden, the bank note is of much greater importance as a means

¹ Throughout the article I use the term "private banks" to indicate all commercial banks, joint-stock companies, as well as companies with unlimited liability (so-called "enskilda banker"), as distinct from the central bank.

of payment than in England or the United States. Gold coins have never circulated, notes of small denominations taking their place even before the war. The use of cheques is not nearly as wide-spread as in these countries, partly because of people being accustomed to the convenient notes, partly owing to the introduction of "post bills," i.e. sight drafts drawn by a bank on its office or clearing agent in Stockholm and payable without deduction whatsoever at any bank office throughout Sweden, which are very much used for remittances between different localities. The consequence is that changes in the note circulation are of great primary interest, and that the best indicator of the position of the Bank is the note reserve, i.e. the difference between the maximum limit of the note issue and the amount in circulation.

Now and then the question of increasing the power and the sphere of activity of the Riksbank has achieved actuality. The motives for a change in this direction are two: firstly, the desire of giving the Bank a greater influence on the monetary policy of the country by increasing its power over the currency movements into and out of the Bank; and secondly, the creation of a state-owned commercial bank as a counterbalance to the big private banks. The second proposal has been strongly opposed, as it is generally considered that ordinary banking business would not be consistent with the duty of regulating the value of money. It is true that a few years ago the Government took over one of the smaller banks in order to save it from bankruptcy and that in some quarters this bank is regarded as the nucleus of a future big commercial bank, owned by the State. But the outcome of the struggle for or against State activity in the field of commercial banking will naturally depend on the policy of future Parliaments. As to the first question of increasing the power of the Bank, while retaining its character of a bankers' bank, the Riksbank Act was amended in 1920. Until then the weapon of the Bank was the discount rate supplemented by foreign exchange transactions, the latter corresponding to some extent to the open market operations of the American Federal Reserve Banks or of the Bank of England. But it was considered desirable to give the Bank another possibility of regulating the monetary development, and the Bank was therefore given the right of paying interest on fixed deposits, if the state of the money market made such a measure necessary. It was thought that by competing with the private banks, the Bank would be able to diminish the supply on the market and make its discount rate effective. However, this right has never been used and the

Bank has adhered to its old practice of only using the discount rate in connection with foreign exchange operations.

Thus, the deposits of the Bank still consist of bankers' balances and of money on Government account, on which no interest is paid. Private firms, which are not doing banking business and which discount bills at the Bank, are allowed to open current accounts carrying interest, but, as mentioned above, only a minor part of the discount business is done directly by the public and private deposits, other than bankers' balances, are of still less importance. The major part of the deposits are Government deposits. The private banks generally hold very low balances at the Bank, only what is necessary for meeting demands on them in the clearing, which is made through the Riksbank. If their balances should tend to fall below the minimum, they are always in a position to rediscount bills, to borrow from the Bank or to sell foreign exchanges, thereby increasing their balances. On the other hand, a rise in their balances above what is necessary will sooner or later lead to a reduction in their indebtedness to the Bank.

It is customary that loans and advances of the private banks permanently exceed their deposits. This deficit is covered partly by their own capital, by loans from saving banks and, when the individual banks are considered, by loans from other private banks having a temporary surplus, partly by loans from the Riksbank. For the moment we are concerned with the latter expedient. The banks borrow from the Riksbank in three ways: by rediscounting prime commercial bills, payable in Sweden, not having more than six months to run, by borrowing against security of bonds or shares for a fixed period of not more than six months or with not more than three months' notice, and by short loans, generally for eight days. The last method is used principally at the end of the month, at quarter days or before holidays, when there is a heavy demand for notes of a temporary character. The amount of the borrowing at the Bank may vary with the seasons and with the trade cycle, but it is a characteristic feature of Swedish banking that the private banks, taken all together, normally are indebted to the Riksbank. This is not a sign of weakness, but is a link in the organisation of the market. It is a means of obtaining elasticity and liquidity in the credit system. But, on the other hand, the *movements* of the indebtedness to the Riksbank or of the excess of advances and discounts over deposits are the best indicator of the credit position.

When comparisons are made between banking in Sweden and e.g. in England, two facts must be kept in mind. Firstly, in

Sweden small investors are generally not accustomed to invest their capital directly in the undertakings in the form of shares or bonds, but prefer to place their money as fixed deposits with the private banks or the savings banks. The deposit account is therefore of very great importance to the banks. This is the more interesting as only seventy to eighty years ago deposits were absolutely insignificant, notes being the principal working capital of the banks besides their own capital. At that time investors had long been used to short-term promissory notes, in which an open market existed. This kind of investment has now disappeared. During and after the war, however, bonds have gained ground as a favourite investment of private capitalists and the development of an active bond market is one of the most interesting features of the post-war period. The increase in material, which was a necessary prerequisite for the growth of the market, has taken place partly through new issues, partly through the repatriation of Swedish bonds, previously sold abroad. The result is that now less than 15 per cent. of all outstanding Swedish bonds are in the hands of foreigners, compared with more than 50 per cent. before the war. In addition, foreign loans have been placed on the Swedish market, beginning with the reconstruction loan of Austria, and the demand for these loans is rather remarkable. Shares have played a prominent part in the financial history of Sweden during this century, not so much as a form of permanent investment, but as an object of speculation and as a means of obtaining influence on the management of the undertaking in question. Bank shares formed an exception as they, because of the stable dividends, were in great favour among small investors.

Secondly, Swedish companies finance their business to a great extent by means of bank loans instead of funded capital, obtained directly from the public through issues of shares and bonds. Short-term notes, issued on the market, are not used. This is a consequence partly of the above-mentioned habits of the investors. In how far taxation has contributed to the preponderance of bank loans in Swedish company finance it is difficult to estimate, but it would seem as if the influence of the present legislation worked in this direction.

The consequence for the banks is that they have to bear the burden of industrial finance, directly through loans to the undertakings, indirectly through loans to private customers for the purpose of buying shares. Even if they are prohibited by law from granting credits for more than one year, there is, in reality,

always a danger of their loans becoming illiquid, as they are supposed to be renewed as they fall due. To a great extent this explains the difficulties of the banks during the post-war crisis. When prices fell, borrowers made great losses and were not in a position to repay their loans. The banks had to carry them for a long period and this impaired their capacity to grant new credits. Moreover, in many cases, undertakings having used bank credits at the height of the boom for expansion and new plant—which never again could become profitable—failed, and the banks had to write off considerable amounts in bad debts. If a reconstruction was possible, the banks had often to consolidate the loans in the form of shares in the expectation of a change in market conditions which would make it possible for them to sell the shares to investors.

Generally, Swedish banks carry a very limited amount of shares in their own portfolios. Their right to own shares is very restricted and they are therefore not in a position to take part in issuing and underwriting business. For this purpose they created affiliated companies, in which they owned the majority of the shares and which were granted great credits, with the object of financing new undertakings and of guaranteeing new capital issues. But many of these companies did not have any experience in this field and their leaders were not competent to cope with the problems of industrial finance during a period of monetary inflation or deflation. The post-war crisis brought therefore with it many failures and the banks made great losses. This kind of business, which is an essential part of the capital market, has therefore to be organised in new forms.

As mentioned above, there is no open money market in Sweden. If there is a general plethora of money, the banks will gradually reduce their indebtedness to the Riksbank. The visible result is a diminution in discounts and advances of the Riksbank and in the note circulation. But if an individual bank has a temporary surplus, the possibilities of employing this surplus profitably are very limited. To some extent, the bank might repay its loans at the Bank, but if it is known that the money will be wanted in a few days' time, it would be more expedient if the bank could find a temporary investment. Now the only way to use such a surplus is to lend it at call to another bank. The private banking firms which generally act as stock or foreign exchange brokers or carry on such business on their own account—they are not allowed to receive money on deposit from others than their own partners or shareholders—do not borrow money

at call, their relations with the banks being the same as that of other customers. There is generally a good deal of lending and borrowing going on between the banks. A bank in temporary need of money, prefers to borrow from another bank instead of from the Riksbank, as the short loans obtained from the Riksbank are granted for eight days. Loans from other banks, subject to one or two days' notice, are therefore, in fact, cheaper, even if the rate is the same. Moreover, in borrowing at the Riksbank the bank has to pledge securities, but this is not required for inter-bank loans.

Another consequence of the non-existence of an open money market is that the banks rarely do any acceptance business. If a bank accepts a bill, this bill is generally bought by the bank itself; but by keeping the bill in its own portfolio the bank increases its holding of bills ineligible for rediscount at the Riksbank. Moreover, as the purpose of the bank acceptance is to create a first-class negotiable credit instrument to be sold at a competitive rate in an open market, it is of no use to the borrower to incur the expense of a bank acceptance which in any case is treated as an ordinary bill.

It is still more difficult for business firms or private capitalists to invest money temporarily. It is true that Treasury bills do exist, but in normal times the amount of bills outstanding is insignificant and, moreover, they are generally held in the same hands for years as a permanent investment. As there is no market for bank acceptances, the only way to employ the money is to deposit it with a bank on current account on which a very low rate of interest is paid.

Before turning to the question of interest rates, a few words remain to be said of the banks and the stock exchange. There is no division of labour between the members of the stock exchange as in England. All of them act as brokers, doing business on account of their customers against payment of a certain commission, and they deal with each others without any intermediaries. Many of them, however, buy and sell stocks on their own account. All the big banks are members of the stock exchange, but it follows from what has been said earlier, that in the case of shares, they generally act as brokers only. In the bond market the banks appear as buyers and sellers on their own account and to a great extent transactions in bonds, especially industrials, are made outside the stock exchange. New capital issues are made through the banks, but only in the case of bond issues do the banks act as underwriters.

All transactions on the stock exchange are made on a cash basis. The securities have to be actually delivered on the second day after the sale, and as there is no organised system of "borrowing" stocks, bear operations are practically impossible. Bulls generally finance their operations by means of bank loans, covering 50 to 70 per cent. of the market value of the securities which are formally granted for a short period, but which are usually renewed over and over again. In this way, speculators may carry stocks for months and even years on borrowed money. If such loans are granted too freely, they might become a great danger not only to the banks, as they are apt to become "frozen," but also to the stock exchange, where prices might be unduly depressed because of enforced liquidations.

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As there is no open market, the consequence is that there are no market rates either. The only rate which is not fixed by agreement or otherwise at certain intervals is the yield on bonds. Bond prices, and consequently their yield, may be considered as the result of competitive dealings in a market. But as the bond market is very limited, quotations are often nominal and, especially in the case of industrial bonds, remain unchanged for considerable periods. This is seen by the fact that for about three years new industrial loans have been issued on a $5\frac{1}{2}$ per cent. basis. Other rates, with a few exceptions, are fixed according to the official discount rate.

The so-called "official discount rate" (officiellt diskonto) is the rate charged by the Riksbank for first-class bills having not more than three months to run. The rate for longer maturities, for loans against security of bonds, shares or mortgages, and for short credits are fixed in a certain proportion to the three-months rate. The Riksbank is allowed to grant a special rediscount rate— $\frac{1}{2}$ per cent. lower than its official rate—to the private banks. Originally this favour was given to the banks with the view of inducing them to rediscount bills in order to increase the circulation of the notes of the Riksbank. Nowadays, when the private banks are not allowed to issue their own notes, the special rediscount rate has been used by the Bank as a link in its general monetary policy. By withdrawing this favour in connection with a rise in the official rate, the Bank is able to increase the pressure on the other banks. As an independent measure, however, changes in this rate have too little effect on the market to

be of any use, and as this preferential rate has not been applied by the Bank since 1920, it would seem as if, on the whole, its reintroduction was considered unnecessary. Nevertheless, in comparing the Swedish discount rate with that of other countries, care must be taken that the period in question is not one in which this lower rate has been charged for rediscounted bills.

The banks, which with a few exceptions are combined in the Association of Swedish Banks, follow generally the lead of the Riksbank with regard to their deposit and loan rates. Without exception, the three months discount rate of the private banks has always been the same as the official discount rate. There is naturally nothing to prevent the banks from charging a lower or higher rate. A lower rate, however, would involve a loss on every bill rediscounted—assuming that the preferential rediscount rate is not in force—and would therefore be possible only if the state of the money market was such that the banks were entirely independent of the Riksbank. But with the existing organisation of the market this is hardly conceivable, except in extraordinary circumstances, e.g. in the case of a monetary inflation caused by Government borrowing at the Bank or by the Government issuing its own notes. But if an open bill market should be created, working with money borrowed at call, a market rate lower than the official discount rate would certainly become a normal feature. If the private banks should charge a higher rate than the Riksbank, the consequence would be that in the case of first-class commercial bills, their customers would go to the Bank in order to get their bills discounted at the lower rate and the banks would lose a good deal of their business. Evidently, as long as there is no open acceptance market, it is in the interest of the banks to follow the changes of the Riksbank and to keep their discount rate for prime commercial bills on the same level as the official discount rate.

However, it does not follow unconditionally that the Riksbank has the same influence on rates charged by the banks on finance bills or on other kinds of loans. It is true that as a rule these rates are kept in a certain proportion to the discount rate and are changed at the same time as that rate. But the possibility is not excluded, especially in times of great fluctuations in the discount rate, that changes in other rates do not follow immediately or that they are not of the same magnitude. This is natural, as these loans often are long-term loans and therefore are subject to other influences than the discount rate. Moreover, the character of the security behind the loan or the financial

status of the borrower are factors of dominating importance and the banks must therefore be allowed greater freedom in fixing these rates. There is no agreement either among the banks as to uniformity in the rates. As a rule, however, the rates at which the bulk of the business is done are fixed in accordance with the official discount rate.

What has been said above refers to the big banks only; but as they represent the major part of the banking resources of the country, it might be considered characteristic of the whole banking system. In addition, even if the loan rates of the smaller banks are kept on an altogether different level from the rate charged by the Riksbank, they move, nevertheless, with that rate. Generally, the small banks supply the demand for credit of local industries and small borrowers, which naturally have to pay a higher price for banking accommodation than big undertakings of a high financial standing. The conclusion might therefore be drawn that as a rule the official discount rate determines the loan rates of the private banks.

As to deposit rates, there are certain differences between the Swedish and the English system. Firstly, all Swedish banks allow interest on current account. The only restriction is that no interest is paid unless the balance exceeds 100 kronor (a little more than £5). No commission is charged by the bank for keeping the account. Secondly, as money is placed on deposit account as a permanent investment—the average rate of turnover on this account being once in three years—the rate on fixed deposits must be kept on a level which allows the banks to compete with the savings banks on one side and the bond market on the other. Therefore, in fixing these rates, the banks have to take regard not only to the height of the loan rates, which are governed by the official discount rate, but also of bond prices and rates paid by the savings banks. This might lead to a situation as that of last spring, when the banks took the rather unusual step of raising their fixed deposit rates and certain loan rates without the central bank having changed its official rate. For a certain time there had been a drain of capital from the deposit accounts of the banks to the bond market and the savings banks. The banks having, since the war, kept the same margin between deposit and loan rates, the consequence was that deposit rates followed loan rates on their way downwards. It is true that the trend of bond yields has been the same, but they have not fallen as much as deposit rates, and it was therefore very tempting for investors to shift their capital from the banks to the bond

market. But as the proceeds of bond issues generally have been used by the borrowers for the purpose of paying off floating debts to the banks, the effect was a reduction in frozen credits corresponding to the loss of fixed deposits. This development had, therefore, both advantages and disadvantages to the banks. It was otherwise with the competition on the part of the savings banks.

In Sweden the savings banks are of great importance. They are scattered over the entire country and many of them date from the beginning of the nineteenth century. They have always been considered as conservative institutions of a semi-public character. The major part of their depositors are people of moderate means. Generally, they supply local demands for credit and a great part of their assets are invested in mortgages on real estate. As a rule, therefore, their sphere of activity is different from that of the private banks. But there exists always a latent competition, and if the difference between the deposit rates of the private banks and the savings banks becomes high enough, this competition will become active.

On the whole, it may be said that as far as short-term fluctuations are concerned, the savings banks carry on their policy with regard to interest rates independent of the Riksbank. They take into consideration conditions in the locality where they are situated as well as in the special trades of their borrowers. Moreover, their administration, which is not as modern as in the private banks, is not adapted to rapid and frequent changes in interest rates. On the other hand, the private banks fix their deposit rates by agreement and they follow, as a rule, the discount rate of the Riksbank. This difference in policy of the private banks and the savings banks might lead to a state of active competition. Thus, during the building boom of the last three years the savings banks have had ample opportunities of employing their resources profitably. They have therefore been able to pay higher deposit rates than the other banks which follow the Riksbank and which, moreover, having had to carry depressed industrial undertakings, have been dependent on a rather wide margin between loan rates and deposit rates. The consequence was that capital was drawn to the savings banks, and in order to stop this drain, the private banks decided in April, 1926, to raise the rate on fixed deposits. The interest rate on current account and on savings account¹ remained as before. At the same time

¹ The savings account at the private banks is something between the deposit and the current account, many people keeping a savings account for the same

loan rates, with the exception of the discount rate and the rate on advances against Government securities, were raised in proportion and the margin between deposit and loan rates was thus kept on its previous height. As far as can be seen from the development of the last months, the private banks have in this way succeeded in their endeavour to check the fall in fixed deposits. But on the whole, independent action on the part of the private banks with regard to deposit as well as loan rates must be considered as the result of exceptional circumstances. As a rule the Riksbank gives the signal of a change in interest rates and the banks follow by changing their rates in the same direction, if not always in the same degree all round.

purpose as a current account. Even if they are not allowed to draw cheques on their balances they can, with certain restrictions, always dispose of their money without notice. On the other hand, the banks are prohibited by law from accepting more than a certain amount on every individual account.

Sweating in the Clothing Industry

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THE clothing industry has not received so much attention in recent years as perhaps it deserves. It stands to-day in a particularly interesting position, embracing as it does every variety of industrial organisation, from the single man or woman plying a needle for the retail customer to the factory employing several thousand hands, equipped with complicated electrically driven machinery, where production is carried on by means of a minute sub-division of operations. In some of these factories as many as seventy different operatives handle one lounge coat in the course of its production. In between these extremes we can see clothes being made by hand in the worker's home for a middleman, clothes being made under the same circumstances by machines driven in most cases by power, clothes being made in small workshops either to order or for the wholesale trade, clothes being made for sale to a customer in the next street, and clothes being made for export to Australia or South Africa. Thus the clothing industry, like that much smaller group of trades, the cutlery industry, is still in a state of transition, though this transition seems now to be reaching its final stages. The industrial revolution which first occurred in the textile trades at the end of the eighteenth and at the beginning of the nineteenth centuries, only began in the clothing trades with the introduction of the sewing machine and the setting up of the first factories¹ about the years 1840-50. By the end of the century the wholesale trade was well established for the manufacture of the common sort of men's clothing. At first there were few repercussions on the welfare of the old handicraft tailor. The new industry rather had the effect of providing for a new market. The workman who had hitherto been content to pass his life in corduroy or moleskin now took to buying a new suit of tweeds "off the peg" once a year or oftener. The new suit was only worn on Sundays to start with, but soon it came into everyday wear until to-day corduroy has been relegated to the use of navvies and tramps. Side by side with the factories there was growing up that army of underpaid, overworked men, women and children, whose existence came

¹ E.g., John Barran and Co., Leeds, where about 4,000 hands are now employed.

with such a shock to the pioneer reformers of the 'eighties, when the "sweating" problem was first heard of.

Sweated workers were engaged in a great variety of occupations, but chief among them was the manufacture of clothing, from coronation robes and court dresses to cheap cotton shirts for export to African natives and Chinese coolies. In some case the clothing made by the sweated workers competed with or supplemented that made in the factories, in other cases it was sold to working-class families who would otherwise have made their own. For some twenty years developments in the industry were few. New factories were gradually being built or old factories adapted for the manufacture of ready-made suits; the army of the sweated grew larger and more underpaid; while the handicraft tailor still sat at his bench with his legs crossed and his pipe alight, breathing an unhealthy atmosphere and straining his eyes in an uncertain light, earning big money for a few months and almost unemployed for half the year, but working day and night in the "season"; miserably depressed at times, but fond of his work and his companions, and on the whole astonishingly light-hearted. In every village, too, and country town and large city, there remained the thousands of private dressmakers, perhaps employing a few girls to help them, and catering for the needs of women and children.

In the past fifteen years all this has changed. New developments have come apace. The Trade Boards Act of 1909 and the more far-reaching Act of 1918 have improved the lot of the homeworker and indirectly helped to drive many homeworkers into the factory and many dressmakers out of business.¹ The restriction of immigration has cut off the supply of trained Jewish workers, while the growing disinclination shown by tailor's sons to follow in their father's footsteps has had the same effect on English labour, and thus made it increasingly difficult to obtain "handicraft" tailoring of the old standard of excellence. Meanwhile technical improvements in machinery and the invention of machines for new operations have made vast differences in the quality of the factory-made suit, and women's garments are now for the first time being made in bulk by factory methods. Very soon it seems as if only the most exclusive of men's and women's clothes will be made by hand, so that dressmaking and handicraft tailoring will become purely luxury trades. With this change has appeared a considerable degree of increased standardisation in wages, hours of work and conditions, partly as a result of the

¹ See Dorothy Sells, *The British Trade Board System*.

Trade Board Acts and partly as the result of improved organisation both among workers and employers.

The time is perhaps not far distant when clothing will take its place beside textiles, engineering, shipbuilding, and the other staple trades of the country, in which nation-wide organisation accompanies a considerable degree of uniformity of methods and conditions.

The purpose of this article is to draw attention to the effect on the workers' lives of these recent developments in the industry which has long been regarded as the home *par excellence* of the triple evil of long hours, low wages, and insanitary conditions, known as the "sweating system."

From the sudden awakening in the eighties of the nation's social conscience which led, amongst other events to Charles Booth's inquiry into the life and labour of the London poor, and to the appointment of the House of Lords Committee on sweating, down to the outbreak of the war in 1914, and more particularly during the years which succeeded the *Daily News* "Sweating" Exhibition in 1906, there appeared a very considerable literature, both official and unofficial, dealing with sweated industries in general and the clothing trades in particular. Sensational revelations were not hard to make, and many examples of trouser-finishing, bonnet-making, shirt-making, and indeed all branches of the trade by homeworkers in East London, at piece rates which yielded round about 1½d. per hour,¹ may be found in the evidence laid before the Select Committees on Homework in 1907 and 1908. In such cases even a sixty or seventy hours' week would fail to yield a living wage. While it was not suggested in the evidence that the examples selected as being among the worst were in any way typical of the trade, it was shown that weekly earnings below 10s. a week were not uncommon, and that in many cases these earnings had to support more than one person. In this latter connection one witness,² a factory inspector, even suggested that if a married woman took homework during her husband's temporary unemployment, she would soon find herself obliged to support the whole family: "Where homework is increasing, the men show a tendency to rely upon their wives' labour. . . . I almost agree with the social worker who said that if the husband got out of work the only thing the wife should do is to sit down and cry, because if she did anything else he would remain out of work."

¹ E.g., Report of Select Committee of 1907, pp. 62, 63: Evidence of Miss Vines.

² Miss Squire (Factory Inspector): It must, however, be admitted that other witnesses (e.g., Mrs. Coppock) disagreed with her on this point.

It was also shown that the amount of work to be done was extremely fluctuating, so that the weekly average wage was not earned throughout the year. A Board of Trade investigator¹ said, in evidence, that "the employer aims at keeping his machinery fully employed, and the factory workers get regular work, because the employer does not want to waste his machinery; therefore he will always give the work to the people in the factory before he gives it to the homeworkers. That is one of the reasons why the homeworkers' work fluctuates so much." The conditions of work were in many cases unhealthy: "I frequently find homework done in one-roomed houses, where the inhabitants live, work and sleep," said Miss Squire. Miss Vines² cited a case in London where white silk bonnets were made in a small room in a tenement house inhabited by an old woman and her granddaughters: "The ceiling was absolutely black, the walls were covered with black patches and looked as if they had been scratched all over; vermin were all over the walls, but the landlord's agent refused to do anything." Conditions in other parts of the country were often as bad, especially in the towns where large numbers of the male population were engaged in casual and especially dock labour, such as Manchester and Glasgow. Miss Irwin,³ speaking of conditions in Glasgow about the year 1898, informs the Committee that there prevailed "the most objectionable practice of work being used in the dirty homes as bedclothes for sick persons and members of the family generally." In these towns cheap coloured shirts were made at rates which went as low as 10d., or even 6d., a dozen. In certain country districts, especially round Colchester and round Bristol, extremely low earnings were revealed. The following sample from a corset-worker's book was cited in Miss Squire's evidence. The worker was a married woman:

	s.	d.	s.	d.
Making 2 dozen pairs of corsets @ 1/7½ a dozen	...	...	3	3
Deduct—1½ lb. of cane @ 8d. lb.	...	...	1	0
Two reels of cotton @ 3d. each	...	...	6	
				1 6
Net wage for 2 dozen pairs	...	...	...	1 9

The worker said it took her three days, working very rapidly, to make the corsets, so that she earned 7d. a day.

Miss Squire added: "I think the corset manufacture is one of the worst paid, considering the amount of work to be put into

¹ Miss Collett.

² Select Committee, 1907, 63.

³ Member of Scottish Council for Women's trades. She added that conditions had since improved.

it and the amount of material that the worker has to supply, of any of the clothing trades I know." In Ireland the wages paid to workers in the villages round Londonderry were exceptionally low, round about 5s. for a full week's work being a common figure. Throughout the south-west of England rates were very low. In the shirt and collar trade round Taunton the practice of giving work to factory workers to do in their own houses after hours was common.¹

These districts, being the chief centres of homework in the industry,² provided most of the more sensational examples. The factory workers in the same districts were generally speaking better off. Under the Factory Acts the premises in which they worked were required to attain certain minimum standards of sanitation and convenience, while hours were limited to 10½ a day. Work, as we have seen, was more regular owing to the employer's reluctance to keep his machinery idle. Wages, even when apparently no higher than those paid for the same class of work done at home, were net wages, whereas the homemaker had to pay for heat, light, and any extra accommodation on account of his work which he might be able to afford, as well as in many cases for cotton, etc. Whereas in the factory, machinery was driven by power; at home, treadle machines were the general rule. In point of fact, the wages were generally higher in the factories. Miss MacArthur, when questioned by the 1908 Committee on this point, made the following statement: "I should say the wages of manual women workers—if one excepts the skilled trades like the textile trades—rarely reach 7s. a week, taking an average all the year round. (This refers to factory and homework.) Average earnings on homework about 4s. 6d. a week."³ In regard to hours, Miss Irwin said: "I think homework is accompanied by much longer hours than factory work. The workers work long and irregular hours in their own homes, but they cannot do so in the factories owing to the restrictions of legislation." At the same time, in some of the factories, especially those which employed a good many homeworkers as well, and engaged on a class of trade in which the competition of the homemaker was acute, conditions were far from perfect. Miss MacArthur, after giving evidence about homework, added: "I

¹ See Miss MacArthur's evidence.

² Central London is also an important centre of homework, but will be mentioned later on.

³ These figures appear at first sight to be unduly low; but it must be borne in mind that allowance is being made for unemployment and partial employment. They are quoted here for the sake of the comparison, which would be still more striking if the first figure referred *only* to factory work.

wish to make clear that the low rates of wages are not confined to homeworkers, and that the question of organisation is equally difficult with the similar class of labour in the factory."

In Leeds, the great centre of the better-class ready-made tailoring trade, conditions were much better. Homework in the sense of work done by women working alone in their own homes was comparatively infrequent. Some of the factories employed "outworkers,"¹ but these were generally Jewish sub-contractors who employed several hands and paid them fairly good wages. Certain other large towns where the clothing trades were solely represented by retail tailors, dressmakers, and milliners working for private customers, also presented few serious cases. In Birmingham, for example, where women engaged in the light metal trades were frequently very seriously underpaid, the clothing workers were rather better off. Besides about 1,000 factory workers, there were here some 10,000 homeworkers engaged in tailoring, dressmaking and millinery. A careful investigation into the conditions prevailing among homeworkers in Birmingham in 1907, published under the title *Women's Work and Wages* (Cadbury, Matheson and Shann), contains little adverse comment on conditions in these trades. The general conclusion of the investigators was that "the evil of sweating in the clothing trades seems to be less prevalent in the Midlands than in London." The wages earned seem to have reached an average of 10s. a week or a little more. In smocking, for instance, which is a fairly large homework industry in the outskirts of Birmingham, the average was stated to be 10s. or 11s. ; in pinafore making, 9s. 6d. ; and in tailoring, 11s. 6d. These rates compare very favourably with those earned in such occupations as paper-box making, leather work, or burnishing.

Turning to the West End of London we find slightly different problems. The trade here is almost all men's bespoke tailoring, but it falls into two distinct classes according as the work is done on the one-man-one-garment system, without, or almost without, the use of the machinery ; or on the "sectional" system, where perhaps half a dozen different hands are employed in a "team," each worker specialising on a part of the garment, and where hand work is used more and more sparingly every year. In the former trade the tailor generally, though not always, employs a woman, paying her from 3s. to 5s. a day to do the less skilled work, such as felling. Often, as one might expect, he employs

¹ "Outwork" and "homework" are not synonymous terms. "Outwork" is only "homework" if it is actually done in the home of the worker.

his wife. Coats, waistcoats, and trousers are made by different hands. Before the war as now, pay was nearly always according to the "London log," a peculiarly complicated piece work scale, nominally on a time basis. Morning-coats worked out from 20s. to 25s., trousers 5s. 9d. to 10s. 6d., overcoats 18s. to 25s. These wages in the busy season might amount to £4 or more a week, but in the slack season they sank to perhaps 30s. The other, and ever-growing section of the trade is almost exclusively Jewish. Only the very highest class of work is now done by the old-fashioned methods; even in Savile Row it would be hard to find a tailor who has not, in a rush season, had recourse to a high grade Jewish middleman, employing a team of sectional workers on time rates. Some of these Jewish workers are male tailors, earning before the war 5s. to 10s. a day; others, female machinists, earning 15s. to 25s. a week. The reason why the West End trade was often accused of being a "sweated" one was clearly not because the actual rates of pay were unduly low; the trouble lay with the fluctuating nature of the trade. For two or three months, especially in May and June, work was so plentiful that tailors sometimes found it necessary to remain hard at it all through the night so that a suit ordered for a particular day might be ready in time. The rest of the year, except for a brief revival in December, was comparatively slack, and, in fact, during about five months there was almost nothing to do. Thus rates which were high in themselves reduced themselves to a much lower annual average. Even more serious were the excessive hours during the rush period, especially in view of the insanitary nature of many of the workplaces and the rooted objection of the average tailor to any form of ventilation. In the Jewish section of the trade workplaces were perhaps healthier, but hours during the season were even longer than among journeymen tailors, since any work which the latter were unable to perform got passed on to the former, who became the shock-absorbers of a fluctuating industry. Mr. Daly, Secretary of the West End Branch of the Amalgamated Society of Tailors and Tailoresses, supplied the Homework Committee with information about the effect on the industry of the willingness of the Jewish sub-contraction to take on unlimited work, which while clearly animated by an excessively bitter anti-semitic bias, is borne out by other sources of information.¹ "The Jewish element," he said, "does not make for industrial progress. A young fellow coming over (i.e. from the Continent) can be

¹ E.g., *Seasonal Trades* (edited by Sidney Webb), 1912, Barbara Drake's section on "Tailoring." But perhaps Mrs. Drake obtained much of her information from Mr. Daly.

taught almost immediately to become an underpresser. No special skill is required . . . competition as a consequence is rendered very acute, and the result is to bring about a lowering of the standard and a deterioration in the wages and working conditions." He adds: "The trouser section of our industry—the lowest trouser section—is probably the most sweated section in which the lowest prices and the worst conditions obtain." (He is here speaking of domestic workshops and homeworkers; most of the trouser hands on this class of work were Jews.) And again: "Bad as are the wages paid to Jewish men, those paid by the Jewish masters to English women are even worse." He estimated the average hours among the sectional workers as from 8 a.m. till 9 p.m. (with one hour off for meals), and earnings as about 20s. to 25s. for men and 7s. 6d. to 10s. for women engaged in homework. Another witness¹ said: "The most noticeable feature in recent years is the general adoption of the outworkers' system. I have noticed that in West London in particular workshops are being gradually closed during the last ten or twelve years, and the occupiers are resorting to the outwork practice." Speaking of the long hours he said: "In my night visiting now I very rarely find a place closed. It is quite an exceptional thing to find a place closed even on Sundays, or in the early mornings, such as at 6 a.m. . . . This is particularly so among the homeworkers in Soho." "There is very grave congestion now in London generally, but in Soho in particular. The condition of affairs in Soho is immeasurably worse than it is in East London."

In the course of their report the 1908 Committee summed up the situation in regard to sweating as follows: "If the term 'sweating' is understood to mean that the employers 'grind the face of the poor' by making an altogether inadequate payment for work upon which he obtains a large and quite disproportionate profit, your Committee are of opinion that although there are cases of this kind, sweating of this description is not the most important factor in the problem which they have had to consider. On the other hand, if sweating is understood to mean that work is paid for at a rate which in the condition in which many of the workers do it, yields them an income which is quite insufficient to enable an adult person to obtain anything like proper food, clothing and house accommodation, there is no doubt that sweating does prevail extensively."

If we take 10s. as being the limit below which a weekly wage might be regarded as a "sweated" wage the proportion of

¹ Mr. Evans, Factory Inspector's Assistant.

sweated women workers *other than homeworkers* in 1906 is revealed by the following table, extracted from the Board of Trade's "Earnings and Hours of Labour" Enquiry¹:

Industry.	Percentage of women working full time whose earnings fall within the under-mentioned limits (United Kingdom).		Average earnings for full time.
	Under 10/-	Over 10/-	s. d.
All clothing, including boots and shoes ...	21·6	78·4	13 6
Dress, millinery, etc. (factory)	12·6	87·4	15 5
Tailoring (bespoke)	15·4	86·6	14 2
Dress, millinery, etc. (workshop)	28·0	72·0	13 10
Shirt, blouse, underclothing	22·2	77·8	13 4
Tailoring (ready made)	24·0	76·0	12 11
Corsets	28·8	71·2	12 2

It must be borne in mind that the above table probably gives too rosy a picture, since the inquiry was a voluntary one, no employer being compelled to file returns. The absence of uniformity was perhaps more noticeable than the absolutely low level of the average earnings, ordinary wages being as low as 4s. in some cases and as high as 24s. or 25s. in others, though a wage of more than 20s. a week was very rare. The hours worked also showed a fairly wide range of variation. Frequently they were from 8 a.m. till 8 p.m. on ordinary days, and 8 a.m. to 4 p.m. on Saturdays, that is to say, 59 per week (allowing 11—2 hours a day for meals). In other cases they were as low as 55 or even 52, but seldom went lower than this.

"Sweating" in the clothing trades is almost confined to women's work. Among the men engaged in the industry the only class whom we might reasonably describe as "sweated" were the London journeymen tailors, and these, as we have seen, rather on account of their long and particularly their irregular hours than because their wages were excessively low. The average earnings of men in factories and workshops, as recorded in the earnings and hours census in 1906, were as follows:

All clothing trades	30/2
Dress, millinery, etc. (Workshop)	50/11
(Factory)	31/8
Shirt, blouse, underclothing	29/10
Tailoring (Bespoke)	33/6
(Ready made)	31/11
Corset (Factory)	28/11

¹ See B. L. Hutchins, *Women in Modern Industry*, p. 218.

(The high average shown for the workshops section of the dress and millinery trade is accounted for by the fact that very few men were here employed. In most cases it is only the more highly paid work in the clothing trades that is performed by men, though in one section—shirts, blouse, underclothing—as many as 52 per cent. of the male employees were earning less than 30s. a week. But here the numbers employed were also very small.)

The pre-war trade boards in the clothing industry were the Shirt Board and the Tailoring Board. The minimum rates fixed by them compare with those given in the 1906 census as follows:

Trade.	Full time average weekly earnings (1906 inquiry).		Initial T.B. Rates.			
			Per hour.		Per 50-hr. week.	
			Male.	Female.	Male.	Female.
Shirt	31/1	13/10	— ¹	3½	— ¹	14/7
Ready-made tailoring	32/4	12/10	6	3½	25/-	13/6

It will be seen that in the case of men the Shirt Board did not fix a rate, and the Tailoring Board fixed one lower than the average. But since the average for men includes a substantial proportion of highly paid workers it may reasonably be affirmed that the rate fixed was above the minimum previously prevailing rates. The minimum women's rates were above the previous averages, though only slightly so. At the same time it is evident that since the Trade Board rate was a minimum rate, whereas the average quoted covered a wide range, the general level must have been improved considerably except in so far as evasion took place. That evasion did take place on a large scale is certain, and some observers have asserted that among home-workers the rates have been quite inoperative. While this seems to be an overstatement, there is no doubt that in 1914 there was still much sweating in all branches of the clothing trade where it had existed at the time of the *Daily News* Exhibition.

The most noticeable developments affecting the industry since 1914 fall under three heads, namely, fresh legislation, increased organisation, and changes in the technique of production. All three have conspired to bring about a situation which on the whole tends to the elimination of the sweated worker. Under the first head the most striking change has been the Trade

¹ Not fixed, 1914-1919.

Boards Act, 1918, which has brought all branches of the industry under the Trade Board system, and has secured for the adult workers in most of them minimum wages of about 8d. per hour (i.e. 36s. per week) for women, and 1s. (i.e. 48s. per week) for men,¹ in so far as the Act is adequately enforced.

It has also tended to make 48 hours the normal week, since overtime rates have to be paid for longer hours. Another legislative change which was made a little before the war, but the effects of which were only felt after a few years had elapsed, is the Aliens Immigration Restriction Act, 1911. As a result of this law no new recruits have entered the trade from the Continent. This has produced a shortage of labour, and has thus reacted favourably on the earnings and the regularity of employment of the existing workers. Indirectly, too, it has led to the extension of factory work at the expense of the sub-divisional system, though for the time being the latter is at least as widespread as ever owing to the fact that it is itself superseding the handicraft system in the better class trade.²

As regards changes in organisation the clothing unions shared in the general advance made during the war, particularly in regard to the women workers. There has been a consolidation into two unions (the "Amalgamated Society of Tailors and Tailoresses" and the "United Garment Workers"), representing, broadly speaking, the handicraft tailors and the factory workers respectively (apart from some very small Jewish unions and the considerable number of women clothing workers organised in the Shop Assistants' Union and others). As in other trades, the peak reached has not been maintained, a very large proportion of the newly-recruited women having now left the unions, but there has remained a very much stronger basis of organisation than in pre-war days. While the unions have thus increased their numbers the employers have also closed their ranks. Before the war there were only a few in any organisation at all. Now there are few entirely outside.³ These associations generally co-operate with the workers' unions in securing uniformity of conditions and bringing pressure to bear on backward employers.

Turning to changes in technique the increased use of power-driven machinery is the most noticeable feature. Much work

¹ The actual minimum varies slightly in the different sections, and the time rate is 1d. per hour lower than the piece rate. The figures quoted are for the lowest-paid adults.

² At the time of writing another piece of legislation affecting the conditions of work is contemplated, namely the Factory and Workshops Bill, introduced in 1926.

³ Among the more notable developments has been that of the London Employers' Association, formed in 1916, embracing many large London retail trades.

that fifteen years ago was done by hand or by treadle-machine in the workers' homes is now done in factories by power. In the men's trade there has been a very noticeable increase in the wholesale bespoke at the expense of the retail bespoke section, while in the women's trade the mantle and dress factories are driving the small dressmaker out of existence. At the same time in the workshops, power-driven machinery is more and more taking the place of the treadle sewing machine, especially in the northern towns like Leeds. In fact there has been a minor industrial revolution, so that the industry which before the war was disorganised, and where the typical industrial unit was the small workshop or the solitary homemaker with here and there a large factory, is now comparatively well organised, and usually carried on in a factory or a large workshop, with a small percentage of homeworkers who are tending to disappear still further. One result of these changes has been to diminish very considerably the gravity of the "sweating" problem.

In the early years of the war the cost of living rose more rapidly than did wages, and only in the post-war period can it be said that real wages in the clothing trades were at higher level than before the war. But from the first the numbers of the worst paid section, the homeworkers, declined, owing to the increased opportunities of alternative employment for women, and the smaller volume of unemployment among the husbands of the married women who form a large proportion of the homeworkers. The constant demands of the Government made work, except for high-grade civilian tailors¹ and for dress-makers and milliners, more plentiful, so that both factory workers and homeworkers found themselves in more steady employment.

During 1919 and 1920 all the clothing trades were given Trade Boards, and these Boards proceeded to fix rates of real wages, substantially higher than those which had prevailed in 1914. The clothing trades had their share of the post-war prosperity, and wages continued to improve till about the middle of 1921. Then came the slump, with falling wages and widespread unemployment, but without a return to anything like pre-war sweated conditions.

Statistical verification of the diminution in sweating is, of course, impossible to arrive at. All that can be recorded is the impression that was conveyed by conversations in several different centres with representative employers, secretaries of employers' associations, officials of the unions both at the head offices and in

¹ These, however, soon turned to the making of officers' uniforms.

the local branches, and by a careful study of the trade union publications and of various trade periodicals.

It is true that in the early part of 1924 the *Daily Herald* carried on an anti-sweating campaign ; and there can be no doubt that serious cases could still be found in many parts of the country, and more particularly in the East End and in Soho. It is generally agreed, for instance, that the Trade Board rates are frequently evaded. The question at issue, however, is not whether individual cases still exist, but whether the volume of serious underpayment is as great as before. The opinion of those acquainted with the trade must be our chief guide. The point which emerges most clearly from all inquiries is the diminution in the number of homeworkers.¹ With the single exception of the West End, where the union officials assert that homeworkers form an increasing proportion of the handicraft tailors, there is universal agreement as to this decline. In Leeds, homework is now very rare, whereas before the war trouser-finishing was given out in fair quantities. In Manchester, where shirts used to be given out, the secretary of the United Garment Workers says that in face of the smaller demand during the past few years, factories have been unable to keep running full time in any case, and that to give out work would only aggravate the situation. Even Mr. Sullivan, President of the East End Branch of the United Garment Workers, and a witness by no means disinclined to draw a graphic account of the plight of his fellow-workers, agrees that a diminution in the number of homeworkers has taken place.

The principal reason for this decline is undoubtedly the unsatisfactory nature of the work from the employer's point of view. Unless the Trade Board rates are flagrantly disregarded, the employment of homeworkers, as a means of tiding over a "rush" period with which the existing factory accommodation is unable to cope, has become an unremunerative practice. Apart from the question of rates, the legal requirements in regard to registration of premises, etc., are a source of considerable worry, which is saved by having all work done inside the factory. To this may be added the recent developments in the sewing-machine industry which have made it possible to perform mechanically even such operations as were till very recently done by hand, e.g., button-holing. In one section where homework and sweating used to be common, namely, underwear, a change in the type of garment worn has had a considerable effect. Here the newly developed

¹ Unfortunately, it is impossible to use the census to prove this, since an entirely new basis of classification has just been adopted for the occupational tables.

woven underwear trade is rapidly driving flannel and calico out of existence as materials for underwear. The woven garments are made by machinery throughout, requiring either no sewing at all or a negligible amount of sewing. In the old days it was stated that if the cheaper grades of underwear were to find a market at all it was necessary to sell them at so low a figure that sweated labour was almost inevitable; otherwise the clothes would be made at home. Nowadays, the number of women who either have time or inclination to make their clothes at home has considerably diminished, and the cheapness of the factory-made woven garments has led to their general adoption even among the poorer classes of the community. In this connection, too, may be mentioned the vast increase which has recently been taking place in the factory section of the mantle and dressmakers' trade. Changing fashions have lessened the demand for tailor-made coats and skirts. The type of dress usually worn to-day can be made, and is almost invariably made, by very much the same methods as the cheaper grades of men's clothing—in large factories in Leeds and Manchester, and elsewhere. The private dressmakers are going out of business, and with them has gone another section of the trade in which conditions were apt to be bad. For instance, it used to be not uncommon for girls to be taken on for two or three years by dressmakers without earning any wages at all, on the plea that they were "learning the trade." The dressmakers who still survive are constantly complaining that the learner's rates fixed by the Trade Boards are unduly high. What they mean is that just as it used to be necessary to pay unduly low wages in order to sell at prices which would prevent clothes being made at home, so now it is necessary to do the same in order to sell at prices which will compete with those charged for factory-made ready-to-wear articles. A final reason for the decline in the amount of homework is the slump in trade. As has been indicated above, in the case of the Manchester shirt-trade, there is at the present moment more factory accommodation in most branches of the clothing trade than there is any need for. If and when the demand for clothes increases to such an extent that the factories are unable to cope with it, we may see a revival of homework, especially in the "finishing" of men's suits. Such a revival, however, is likely to be temporary and, in any case, with the gradual tightening up of Government inspection, is unlikely to be accompanied by exceptionally low rates of pay.

As regards the work done in factories and workshops, conditions

may be said to be fairly good. As in other industries, 48 hours has become the normal week, and the Trade Boards have adopted this as the standard beyond which overtime rates must be paid. It is agreed by the union officials that Trade Board rates are nearly always observed,¹ and in many cases considerably higher rates are paid. One abuse, however, still seems to be pretty general, and that is the failure to pay for "waiting" time. The Law requires that where a worker is kept on the employer's premises waiting for work, he shall be paid as if he were actually working. This is frequently not done, and owing to the strong temptation which the worker feels to connive at the infringement, it is difficult to see how this can be remedied. Another practice, which amounts to preserving the letter of the Law, while infringing the spirit, is the employment by some firms of juvenile workers at learners' rates, when they are in effect doing an ordinary adult worker's work. A firm in Manchester, one of the largest in the knitted underwear trade in the country, is alleged by the union officials to employ a staff which consists almost exclusively of girls under 18. The machines employed are almost self-acting, so that a few days suffices to learn the process. The girls are engaged at 14 or 15, and on reaching the age of 18, when full-time adult rates have to be paid, are dismissed and replaced by a fresh batch.

As regards sanitary conditions in factories the position is found to vary considerably from firm to firm. Where the factory has been specially built for use as a clothing factory there is usually adequate space and light. In many cases, however, the factories have only been adapted for the purpose. This is true of all the centres of the industry, including Leeds. In these makeshift factories the light which is so essential for a sewing industry is obscured by large adjacent buildings. Frequently also the piles of material stacked in the workrooms are so large as to prevent the legal minimum of air space per worker being reached. Generally speaking, however, it may be said that in the factories of the present day, as also in the workrooms of the big department stores (by many of which social agreements with the workers have been made), conditions reach a satisfactory standard.

It is when we come to the workshop section of the trade that

¹ The officials often speak of these wages as being shamefully low, e.g.: At a meeting of the Tailors' and Garment Workers' Union on June 10th, 1924, Mr. Conley, Secretary, said a fight would be made to secure a minimum wage of £4 a week for males and £3 for females, together with a 44-hour week. A comparison of these figures with the actual rates being paid, even to skilled workers in other trades, will show that they are quite utopian. Mr. Conley does not indicate whether he is referring to skilled workers only, or to all workers.

conditions generally leave most to be desired. It is not that wages are specially low; on the contrary, they sometimes reach an exceptionally high level. In London, for instance, 10d. per hour for women and 14s. a day for men are practically minima. There is a distinct shortage of labour, particularly of male labour. The workers are nearly always Jews, though gradually it is being found necessary to take on Christians. In the past the workers arrived in this country from the Continent ready trained, but since the passing of the Alien Immigration Act in 1911 there has been no influx of foreign labour. The children of the Jews who have settled do not usually enter the trade, and skilled workers are thus becoming more and more difficult to obtain. While there is this shortage of labour there is also an increasing demand for clothes made on the sub-divisional system, partly owing to the high cost of handicraft tailoring and partly to the even more acute shortage of labour in the handicraft section. This state of affairs ensures a high level of wages. But while the pay is good the conditions are frequently bad, especially in London. Even Mr. Marks, of the Master Tailor's Association, admits¹ that it is an unpleasant "trade," and that it is hard for this reason to find new recruits. There are still, in London, hundreds of workshops in which perhaps six to ten workers are cramped into a small room, with poor ventilation, an atmosphere made damp by the pressing which is frequently performed in the same room as the sewing and machining, and where Government inspection is unknown.

Among the handicraft workers conditions have also not improved. In fact, since the tendency is now for less and less work to be done on the employer's premises, and more and more at the worker's home or in hired "sittings," they are perhaps worse. We have already seen, however, that the handicraft worker is giving way to the subdivisonal worker, and he in turn to the factory operative. It is this displacement which enables the comparison between the lot of the typical pre-war worker and the typical post-war worker to be regarded as definitely favourable to the latter.

Finally, a comparative consideration of conditions in other industries amply justifies the belief that the clothing trade has mounted the industrial ladder. It has shared the lot of the other sheltered industries, catering as it does almost entirely for a home market. In particular it has shared the lot of the other Trade

¹ "Master Tailor" is the name given to themselves by the Jewish sub-contractors.

Board trades in which wages were fixed at a high level in 1921, and where the stickiness of the Trade Board system has impeded a reduction to the level which would undoubtedly have been reached under conditions of free competition. It has also fared better than other industries in regard to unemployment during the recent slump. Seasonal it still is, but less seasonal than before, since factories can make for stock. Apart from seasonal variation the demand for clothing is less elastic than for many other things. The necessity for buying new clothes may be temporarily averted by wearing out old ones, but ultimately nearly as many as usual must be bought by the vast majority of mankind, while in the case of the more well-to-do classes who buy more clothes than they need, economy in luxuries is more likely to begin with travelling or books or furniture than with clothes, which are to some extent to be regarded as "conventional necessities" (by the economist as well as by the student of manners!). An examination of the monthly unemployment returns—published in the Ministry of Labour *Gazette*—will show that this inelasticity of demand has conspired with the reduced supply of workers to place clothing low down on the list of unemployment percentages. With shorter hours, higher real wages, and better conditions than before the war, and with less unemployment than many other workers, the clothing operative can no longer be regarded as the Cinderella of modern industry.

The Anglo-French Entente under Louis-Philippe

By CHARLES BASTIDE

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IN 1830 the coolest-minded and most practical statesman thought that Great Britain and France were ripe for an alliance, without pausing before the paradoxical aspect of the assumption. After all, only fifteen years had elapsed since the battle of Waterloo. If the Emperor had passed away—a prisoner in the hands of his enemies—some of the foremost leaders in the great wars survived; one of them, Marshal Soult, who had stood by Napoleon's side at Belle-Alliance, was destined to be prime minister; while the conqueror, Wellington, had been two years in office as head of the government.

But the sympathies of the new ruler of France for English life and English society were well known; he had lived in England, "at old Twick," as he would say, "on the banks of the Thames"; he could speak English fluently, read the London papers, and was at one time suspected of contributing to the *Morning Chronicle*. In the midst of the most desperate struggle in which Great Britain and France had ever been engaged, he had repeatedly expressed the strongest attachment to the British cause—that of his house and of his political ideals: "Tant que j'existerai, je ne cesserai de faire des vœux pour la prospérité de l'Angleterre, pour le succès de ses armes." Would not such a sentence, selected at random as it is, have horrified the grenadiers of the old Guard?

Besides, the necessities of the political situation prompted Louis-Philippe to come to an understanding with the British government. A monarch whose only title was a popular election, he would naturally seek the support of a constitutional monarchy, and the wealthy middle-classes, anxious for order at home and peace abroad after so many changes, accepted the idea of associating the fortunes of France and their own with the greatest industrial and commercial power. The older courtiers remembered that happy time before the Revolution, when Paris favoured all that was English, and when the leader of the "anglomanes" happened to be the present King's father. Those who sought for

a precedent to appease their scruples, alluded to the change in foreign politics after the Treaty of Utrecht; a little over a hundred years before, Abbé Dubois instructed by the Regent had not been afraid of negotiating an alliance, with the result that France quickly recovered from her defeats. England herself, cold as she always studied to be, preferred the friendship of her gay, brilliant and placable neighbour to the very doubtful advantages to be reaped from pensioning the rulers of Germany or of Eastern Europe. The final word on the question was said by that most capable diplomat and politest of absolute kings, Louis XIV, when receiving the English envoy: "La paix se fera entre deux nations du même sang et qui ne sont ennemies que par nécessité."

Such speculations were not absolutely new in certain French circles. The advent of Louis-Philippe only hastened the conclusion of an understanding to which public opinion was thought to be now reconciled. As early as 1827, a comedy, entitled *L'Entente cordiale*, had been acted in Paris by English players. The younger men of letters proclaimed their allegiance to Shakespeare and "le grand Byron," Englishmen were welcomed in Paris and flocked thither in numbers sufficient to justify the continuous publication of the *Paris Monthly Review* and the well-known *Galignani Messenger*.

So it came about that the two countries after many years of conflict resolved once more to attempt a policy of mutual friendship. Their attitude was that of rivals made sober by the heavy costs of a bitterly contested law suit, who begin to think that someone else has duped them. Thanks to the industry of a distinguished professor in the Sorbonne, M. Raymond Guyot, this too little known episode in the relations of Great Britain and France may be studied in detail and the study yields its reward.¹

Within ten years a leading Paris newspaper was to write: "We have confided in the alliance of England; we confide in it no more." From the first the whole scheme was doomed to failure, in spite of the efforts of monarch, diplomats, and enthusiastic men of letters.

No one seems to have faced frankly the real questions at issue. From the very beginning, there was a misunderstanding which may be termed temperamental. France was still smarting under defeat, for defeat is a thing that in her lightest mood—and in this she belongs to womankind—she never forgets. Just as the Germans to-day, the French were persuaded that their defeat

¹ RAYMOND GUYOT, *La première entente cordiale*, Paris, Rieder et Cie., 1926.

was unmerited. How could anyone imagine that the soldiers who had crushed Europe, humbled so many kings, turned to naught the plans of the ablest generals of the time, should have been overcome at last, if their enemies had not been aided by treachery? Not one of the officers in the Emperor's grand army believed that he had been beaten in fair fight. And again, it was inconceivable that such a tremendous upheaval as the French Revolution should meet with so little response in Europe. What had become of the message of France to the world? Perhaps England, or at any rate her more liberal-minded statesmen, understood. Well, if that was so, let France come into her own again, expand to north and east on territory freed from tyranny by the revolutionists.

But there was probably not an Englishman likely to enter into that frame of mind. The Treaty of Vienna then seemed, far more than the Treaty of Versailles does to-day, a final arrangement. They had hailed in the revolution of July the advent to power of the bourgeois classes resigned to defeat and favouring permanent disarmament; bourgeois, that is to say, composed of men whose energies are bent on improving the resources of their country while not forgetting their own material prosperity. No improvement seemed possible, even to the party supposed to be the most friendly to France, without free trade. Their conditions to an understanding are tersely set forth in a letter of Lord Palmerston to Lord Granville, dated December 27th, 1836, in which we may read that whatever France does to hinder British trade will be considered as unfriendly. Therefore France was expected not only to adjust her tariff duties to the needs of her neighbour's trade, but to undertake no action likely to injure the interests of British merchants in any part of the world.

Now France then was only beginning to build up her industry. Her textile manufacturers and her iron founders, her sugar refiners and coal-mine proprietors knew that they could hold their own only if government followed a consistently protectionist policy; their influence, being great with the deputies, was sufficient to counterbalance that of the king and his ministers.

The historians who merely record events without seeking to explain them, are careful to dwell upon those most unpleasant diplomatic incidents, the Eastern question, the Pritchard difficulty, the Spanish marriages. They are supposed to be caused by the hasty temper of a minister or the blunders of some agent. They really throw light upon the lurking enmity between the two nations.

On September 10th, 1841, Bulwer, then ambassador in Paris, wrote thus to Lord Aberdeen: "The extension of French influence over Belgium and towards the Rhine—the predominance of France in the Mediterranean and along the African coast, in Egypt and in Syria, the submission of Spain to her influence and authority—such are the objects to which no minister that I know of, from the year 1815 to the year 1841, has ever been insensible; nor, indeed, could he have been so."

No better proof might be adduced of the deep distrust which British statesmen then felt for the rulers of France and her people. Time and patience and perhaps a grain of Christian—hence improbable—resignation might remove the prejudice, but meanwhile the alliance suffered.

The best definition of this cordial entente was given by the greatest minister of the time, M. Guizot, in a speech delivered on January 19th, 1842. The two nations, he said, had to choose between an alliance, isolation, or a system of good understanding. A close alliance devised by diplomats and drafted in the shape of a formal treaty was not to be thought of; isolation always spells danger; there remained the policy that was then being pursued, each nation remaining independent, but should difficulties arise, ready to meet the other half way. The time had not yet come for co-operation in keeping up the few simple ideals which lend Western civilisation its true significance. That the French government, even then, could have gone further seems plain in the light of the events that took place under Napoleon III; but the king was of an over-cautious disposition, and his rule was not strong enough to carry away opposition.

In another field an attempt was made at co-operation, but how far the attempt succeeded cannot be at present determined. M. Guyot points out that English capital found investments quite profitable in a country such as France, then just organising her industry. From 1830 to 1835 French funds, especially 5 per cent. stock, proved attractive; then bankers appear to have favoured more hazardous enterprises: they were quite ready to finance railways; British engineers would superintend the work; British firms provided what French ironmasters and builders were not in a position to manufacture, that is the permanent way and the rolling stock; finally, British coal would be used, the output of French mines being then very low. In other directions co-operation took the shape of joint French and British partnership, particularly in the textile industries, then hopelessly behindhand in France. British men of business together with young and

active Frenchmen built up prosperous manufactures in Paris, Nantes, Rouen. At the present moment it is impossible to write an exhaustive account of this particular aspect of Franco-British relations under Louis-Philippe; the official records have little to say; the French Treasury duly questioned can throw no light on the subject; the great industrial companies which date their beginning from that time are reticent. There is, perhaps, material awaiting the student in England.

This policy met with the fiercest opposition. A petition sent up to the Chamber of Deputies in 1834, by the manufacturers who feared the competition of their more enterprising colleagues, spoke bitterly of the industrial monopoly of Great Britain: "C'est sur notre sol qu'elle vient s'établir, non comme autrefois les armes à la main pour nous asservir, mais en portant la ruine et la misère dans nos campagnes et parmi nos populations ouvrières." For once the opposition agreed with the so-called "nationalist" manufacturers and financiers: in 1847, Toussenel, a disciple of Fourier, denounced in the most vehement terms, "the vultures fated by the genius of evil to tear at the flesh of mankind"; that was a time when such cheap declamation made ministers pause because they knew the hold upon public opinion of any appeal to chauvinistic prejudice. The same writer, whose progeny was to flourish down to very recent times, declared that the Chamber of Deputies "preferred the pecuniary interests of British merchants to the lives of French soldiers," the *Journal des Débats* he considered as "an English paper printed in Paris."

Bearing the failure of this first entente in mind, we may now inquire on what conditions an alliance, as far as human foresight allows, is likely to prove acceptable to the parties concerned and therefore enduring. Such an inquiry is permissible, the perusal of a thoughtful book inviting to reflection.

Ordinarily, alliances are forced upon nations by fear of a common danger; if this danger is overwhelming, it may bring about with dramatic suddenness the most unforeseen combinations; for instance, the old French catholic monarchy sought the friendship of the Grand Turk just as democratic France promised to help Tsarist Russia in case of a foreign aggression. A Franco-German alliance in the near future to counterbalance the economical supremacy of the United States is within the bounds of possibility and should retain the intelligent attention of statesmen.

Such alliances are, however, purely political and generally last only as long as the danger that made them necessary; they may be considered as of a negative description and studied as interest-

ing if somewhat hazardous experiments in diplomatic chemistry.

A common ideal urging nations to pursue a common policy sometimes leads to a less fragile alliance, because statesmen and diplomats merely sanction the decisions of public opinion. All civilised nations consider it a duty to put down the slave trade, though the movement originated, not in political circles, but among generous-minded men. The spirit of the old crusaders might possibly revive if the civilisation of the West was as seriously threatened as was the Christian religion by the growth of Islam. The present generation witnesses the existence and activities of a League against war. Such alliances, to bear fruit, should be supported by the fervour of a large and influential section of the public. They are more often allowed to come to an end when the wave of enthusiasm in which they originated recedes. Nothing is more difficult to breed among men than an international conscience.

A potent bond between nations is a common language, because it involves a great mass of traditions embodied in a common literature; often besides there are but minor differences in the manners, laws, and worship, and the blood is supposed to be the same, whatever may be said to the contrary by ethnologists. Such ties still exist between Great Britain and the United States, and in a lesser degree between France and Lower Canada. Should an unforeseen disruption bring about the complete independence of certain parts of the British Empire, bonds would survive stronger than treaties.

And we come now to sentimental ties which unimaginative statesmen are wont to overlook. They are generally born of the past, even of a very slightly historical past, but they bear along with them the promise and hopes of the future. Modern Greece is the best instance of a country whose connection with the great powers is helped by old associations. To appreciate the sympathies of France for Poland, we must study very closely indeed the eighteenth century and the wars of Napoleon. The present relations of Czechs and French are to be explained in a similar way. Everyone knows the part played in the great war by American devotion to Lafayette. The so-called Latin races claim relationship and commune in the old glory of Rome.

Though restricted to a small class, intellectual ties are not to be overlooked, especially in modern times when this class wields great influence. Thus the hold retained by France over Mohammedan countries and the minor states of the Balkans in spite of the 1870 disasters, is due to the prestige of her higher education

and the care with which she has fostered, by her missionaries and teachers, the spread of her language in the East.

Involving as they do factors of a vague and often undefined nature, "imponderables," according to the French saying, the sentimental and intellectual ties are in sharp contrast with the economic ties. In an age when material interests tend to predominate, they are perhaps the most potent. We are told that French marriages in which stress is laid on similarity of social standing and income, prove the best safeguards against the hazards of life. Allies in the real meaning of the word would no doubt be nations whose connection were similar to that of partners in a trading firm. They stand and fall together and therefore, in spite of occasional bickerings, they cannot fail to remain loyal to each other.

The nations likely to pursue with success such a policy must be about equally powerful, so as to preclude any desire on the part of either to usurp political supremacy. While the monetary system should be the same, the traditional frontiers must be jealously kept up and guarded as a guarantee of independence. Restitution of territory acquired in the past by unjust means should be accomplished as a proof of goodwill, provided the populations agree. Mutual interests should be adjusted in a candid spirit, by allowing the one country to develop, for instance, her agriculture, and the other her manufactures; one might be a maritime country, the other a continental one; one might be a country of merchants, the other of landed proprietors. There ought to be, if possible, a common language, the same system of education, and religions admitting at least toleration, therefore not aiming at secular authority. But enough: such alliances exist only in Utopia.

One cannot help regretting that at the close of the Great War, when the sentimental tie was strongest, no attempt was made to initiate a policy of economic collaboration. The richer nations, just as private persons would do on a similar occasion, did not care to admit to their tables their poor and hungry relations; and there was a less sordid motive: had not alliances proved conducive to war? To renew them was like courting difficulties in the near future. So there has grown up between nations an almost impassable wall of China in the shape of tariffs, passports and rates of exchange. In war time, when enemy submarines were a constant menace, it was almost easier than it is to-day to read in Paris English and American papers and books.

The matter is summed up by M. Guyot in the conclusion of his

masterly work : " An alliance is lasting only if founded on a mutual understanding of business men and thinkers." In 1918 the intellectual alliance between France and England had never been more complete. An economical entente was possible. To-day, through a series of avoidable blunders, the two countries have drifted asunder.

Let us not be as hard upon the statesmen of 1918 as M. Guyot is upon Louis-Philippe and his ministers. The latter might plead lack of experience. Theirs was pioneer work. Thanks to their patriotism and foresight, the way was easy for those who had the responsibility of government under Napoleon III and the Third Republic. We should be grateful if only for the phrases they made famous, " Entente cordiale " and " independence in the midst of good understanding." Can we do very much more, even now when experience has taught us the futility of the old narrow nationalistic creed, and that we are beginning to realise the inter-dependence of the several sections of the Western world ?

Book Reviews

The First Year of the Gold Standard. By T. E. GREGORY. Ernest Benn, 1926. Pp. 141. 3s. 6d.

The Cassel Professor of Banking and Currency in the University of London had a very signal performance to his credit when he held the uninterrupted attention of the general audience which attends meetings of Section F of the British Association, towards the end of the proceedings, for some eighty minutes, upon this subject. For Dr. Gregory does not achieve his effects by sensational theories or by personalities, and it must be that his analysis is so thorough and his examination so judicial that his listeners are ready to "face up" to intrinsic difficulties because they believe they have a sure and worthy guide.

The Oxford address has now been considerably expanded in this book, which opens with a chapter on the Theory of Stabilisation, and then devotes the bulk of its space to the facts and statistics of recent efforts at stabilisation, with particular regard to Great Britain. The brief survey of the development of theory from the first presentation of the "purchasing power parity," through the rival claims of stabilisation upon the external and the internal value of currency respectively, might, with advantage, have been made a little fuller and patiently elementary for the sake of the general reader approaching the subject for the first time. The conception of an "over-valued" currency is not too readily grasped at first. Proper stress is laid upon the necessarily *ex post facto* nature of all criticisms and determinations of the step actually taken in practice. "The degree of divergence between the internal and external value cannot be indefinitely great; hence the extent to which particular indices of price are evidence of maladjustment is only one of degree; hence, also, the extent to which maladjustment exists is always a subject of dispute. But the evidence which can be used to prove existence of maladjustment is a much less important matter than the manner in which adjustment can be brought about if there is maladjustment."

The difference between an "adjustment crisis" when the high

value is taken (Great Britain), and a stabilisation crisis, for the lower (Germany), is brought out more clearly than hitherto. In his sketch of the conditions which will make speedy adjustment most difficult, Dr. Gregory draws a picture, unnamed indeed, which might have been labelled "The Coal Mining Industry, 1925." In his outline of the credit policy which should accompany such conditions, he concludes: "The more inelastic the organisation of labour, the more the divergence of the internal and external value, the greater the possible loss of reserves, the higher the likely rise in money rates, the more intense the temporary volume of unemployment, the greater the social unrest likely to be generated, the more attractive immediately the alternative policy of stabilising at the lower value of the currency." But stabilising on the lower level leads direct to concentration on stability of internal prices and letting the exchange stabilisation go, i.e. to Mr. Keynes' policy.

The psychology of policy is well hit off in the declaration: "If adjustment takes place *after* the formal return to a fixed parity, the odium which may attach to the methods employed is carried over to the end to be attained. And thus the return to gold may be acclaimed as an act of statesmanship in one country and may be denounced as an act of folly in another, simply because in the one case the return to gold has preceded, in the other case has been preceded by, the difficulties due to the methods adopted."

The outline of facts and opinions in this country in 1924 and 1925 is a fair statement, although in my judgment too little is made of the extent to which the Committee and enthusiasts for the immediate resumption of gold may have been deceived by the immediate position of the sterling exchange as the artificial result of the difference in money rates; and of the chance that the flow of American balances, disguised the real "jump" to be taken. When he says "The case for devaluation should have been more carefully examined; but nothing is to be gained by pretending that it was the return to the gold standard which created the real wage problem in this country, or that the definitive adoption of a managed currency would enable us successfully to overcome it," it seems to me he makes a false dilemma, for in practice we could substitute "temporary continuation" for definitive adoption, and "management" is not going to be absent from gold prices. It is difficult to accept Dr. Gregory's barely reasoned dictum that the accidental date of the expiry of the Act *really* constituted the "natural time" for a return to gold—fixed by circumstances.

The statistical discussion of the position of price and exchanges

is very thorough and technical, and the account of the policy followed by the Bank of England well stated. It concludes: "If recent controversies have done nothing else, they have at least shown the impossibility of a managed currency." His answer to gold standard antagonists is effective enough; his account of the actual difficulties of wage adjustments is candid; but he never gives his *own* clear answer to the one question that appears to me to be significant, for the year 1925-6—whether the price paid for securing the boon at that moment was a high one; whether it was inevitably as high, and if not, whether we could rightly have "taken a chance" on waiting for a spell.

The account of stabilisation or the progress thereto elsewhere is, of course, slighter, the German story being the most important; but it is adequate enough statistically to give some idea of underlying causes.

Dr. Gregory's book is a faithful and helpful statement of the position to date, in an uncompleted chapter of financial history.

J. C. STAMP.

Wages and the State. By E. M. BURNS.

P. S. KING. 1926. Pp. 450. 16s.

The intervention of the State in the wage-contract, which is the subject of Mrs. Burns's valuable book, is among the most remarkable developments of public policy of the last generation. The readiness with which it has been accepted and the scale on which it is now practised are both surprising. The last remnants of the wage-regulation of the old régime disappeared with the repeal of the Spitalfields Act in 1823, and for about seventy years the only persons to suggest the legal enforcement of minimum rates were, as far as I know, Fielden, who, in 1833, laid a draft bill for regulating the wages of hand-loom weavers before a Committee of the House, and John Ruskin in a famous passage in *Unto This Last*.

The change of policy began in England with the adoption by the London School Board of the Fair Wages Clause in public contracts, a departure which, though small in itself, had considerable repercussions. Then, in 1890, the Lords' Committee on Sweating recommended its general adoption, and in 1891 the first Fair Wages Resolution was passed by the House of Commons. Lord Wemyss, in offering the recommendation of the Sweating Committee, had protested that it "meant the end of Wage Court, like the Land Court in Ireland," and, though he was a bad economist, he was a good prophet. For, in the next twenty

years, the movement came in with a flood. First, there were the New Zealand and Australian experiments, which began in 1894 and 1896. They were followed by the English Trade Boards Act in 1909, by the Miners Minimum Wage Act in 1912, and by the beginning of Minimum Wage Legislation, usually of a somewhat ineffective type, in the United States. The war saw the passage of minimum wage laws of one kind or another in France, Norway, Austria, Czecho-Slovakia and Germany, as well as a great extension of the policy in countries which had already adopted it. At the present time some type of minimum wage Acts are in force in six states in Europe, in Australia, New Zealand and Canada, and in some seventeen states of the American Union. It is probable that to-day in Great Britain some four million persons (excluding the miners, whose Minimum Wage Act is now almost a dead letter) work under rules which prescribe a legally enforceable minimum rate of payment.

The change of opinion and policy is impressive. One who remembers the innumerable demonstrations published in England before 1909 that it was impracticable to fix minimum rates of payment, that, if fixed, it was impracticable to enforce them, and that if they could be enforced, their enforcement would be a disaster to workers, employers, and British industry as a whole, may be pardoned if he is tempted to reflect on the variety of human theories and the uncertainty of economic certitudes. What is more important, however, is the great mass of experience which the new policy offers for analysis, and the lessons which may be learned from it on the subject of economic organisation, public administration and social policy. Some of it, it is true, is too recent to offer conclusions on which much reliance can be placed. But even when the most recent developments are set on one side, the material which remains is abundant and extremely instructive. No one can regard himself as competent to discuss operations of social policy unless he has mastered its main lessons.

Mrs. Burns's book is the best study of an extremely complicated subject which has yet been produced. She has worked through a formidable body of evidence, of which no one is likely for a good many years to come to make so thorough an analysis. She presents her conclusions with admirable detachment and objectivity. Both on the administrative or legal, and on the economic side of the subject, they seem to me to be eminently sane and reliable. The book is a notable contribution to a difficult and highly important problem of social policy.

It falls into three parts: legislation as to wage regulation, the technique of fixing and enforcing sales, and a discussion of the principles upon which minimum rates are determined; the objectives arrived at by the authorities responsible; and the degree of success which they have achieved. One of the conclusions suggested most clearly by the experience of the last thirty years is that the practicability and effects of a minimum wage policy depend very largely on the nature of the procedure and machinery employed in applying it.

Mrs. Burns's account of the main types of intervention which have been employed is therefore extremely valuable. As between direct enactment, compulsory arbitration and the determination of minimum rates by Boards on which employer and worker (and, in England, the general public) are represented, her verdict is, on the whole, in favour of the last. The conclusion is satisfactory and, to me at least, it seems to be sound. Regulation tends to be more practical and more elastic when the authority enforcing it consists largely of persons in the trade concerned, than when it is imposed by an outside authority; nor is the least of the advantages of the English system that it promotes the formation of an industrial conscience and sense of common responsibility for the standards of the trade as a whole. On the administrative side, on the other hand, the British system (and probably most other systems) is weak. Adequate inspection is essential, but it appears that, at the time of the Cave Committee the inspectorate was sufficient to allow not more than a 2 per cent. inspection, i.e. one which would result in each firm being visited once in fifty years! Such a failure on the part of the Ministry of Labour to staff its service properly, due presumably to the pressure of the Treasury, is unfair both to the workers and to the employers, and must necessarily result in depriving the system of much of the reality which ought to belong to it. Since 1922 the situation appears to have somewhat improved. In 1924, 3 per cent. of the firms subject to the Acts were inspected. In 30 per cent. of those visited cases of underpayment were discovered. Clearly there is need for a good deal more attention to be given to the aspect of the problem.

The discussion of the principles, objects and effects of a minimum wage policy, which forms the third part of Mrs. Burns's book, raises all the larger questions which confront anyone who reflects on the problem. She has not attempted a statistical examination of the results of fixing minimum rates, such as was made by Miss Sells in her book, *The British Trade Board System*;

but while her method is extensive rather than intensive, her treatment of the subject is not the less valuable on that account. It is not difficult to show that each of the criteria commonly adduced *a priori* as a guide to the determination of wages—"a living wage," "a fair wage," "what the trade can bear"—is highly ambiguous, and that, in practice, the British Trade Boards, at any rate, reach their conclusions by a process of trial and error, rather than by the logical application of sharply defined principles. But principles are not the less important, because they can never be fully carried out, and the work of the Boards must be judged less by their success in establishing standards which are evidently right, than by their success in eliminating those which are obviously wrong. The main lesson of experience has been the importance of the element of time, and the capacity of a trade, provided time is allowed and a steady pressure maintained, to adjust its organisation to meet more exacting conditions of payment. For an examination of the methods by which such adjustment takes place, and of the problems which still remain to be solved, the reader can be referred with confidence to the highly instructive book of Mrs. Burns.

R. H. TAWNEY.

The Need for Eugenic Reform. By MAJOR LEONARD DARWIN. Murray. 1926. Pp. 529. 12s.

Eugenics may be treated in two ways, firstly as a pure science dealing with the conditions which determine the hereditary constitution or innate endowment of man, secondly, as an art or applied science the object of which is to utilise our knowledge of such conditions in order to promote the improvement of inborn human quality. Major Darwin, in his elaborate study, embodying the researches of many years, considers eugenics almost exclusively from the second point of view. Its object according to him is "to make use of the powers of prophecy conferred on us by biological science in promoting the welfare of mankind." He does not, however, inquire sufficiently into the pre-suppositions upon which eugenics as thus conceived rests. It is clear that we need, first of all, a social philosophy giving standards of social fitness and a conception of ideal human types to the production of which eugenic policy should be directed. Apart from insisting that diversity is to be encouraged as against uniformity Major Darwin has little to say in this regard. Had he gone beyond such generalities, he would obviously have encountered acute differences of opinion. Possibly, however, too much may be

made of such differences of opinion. It is fairly arguable that eugenic policy may have scope enough even if it confines itself to securing minimal requirements of constitutional fitness, especially if it be remembered that the policy advocated by him is one of mass selection (p. 171) as against the selection of special types. But in addition to a social philosophy whose claims might thus be restricted by insisting only on minimal and generally admitted requirements, eugenics as an art presupposes a highly developed science of eugenics, and, further, an adequate knowledge of the way in which purely biological factors interact with physical, psychological and other forces in moulding social life. Is there such a science and do we possess such knowledge? Major Darwin himself admits that our knowledge of biology "teaches us hardly anything as to the exact methods by means of which we ought to endeavour to improve the quality of future generations" (p. 113), but maintains that our knowledge of the general conditions of evolution is sufficiently advanced to warrant their application to human affairs. His argument is hardly convincing. Major Darwin draws attention to the current controversy among biologists, regarding the importance of selection as a factor in the formation of species, but concludes that these do not affect the eugenic programme which is not so ambitious as to aim at the production of a new species of man, but contents itself with pleading for measures which would tend to increase the proportion of the existing better types in the population. It may be doubted whether the widespread doubts as to the importance of selection are really as irrelevant to the eugenic issue as Major Darwin seems to think. It is surely important to know whether selection can operate effectively in a given direction upon small differences in mixed populations, and this is one of the main points in dispute. Of the intensity of natural selection in man extremely little is known scientifically. In most cases it is difficult to disentangle the environmental from the hereditary factors involved and to determine the extent to which selection operates upon innate differences in endowment and upon differences environmentally induced respectively—a point of the greatest importance as far as racial consequences are concerned. The rapidity of the rate of selection is also a matter of dispute and cannot be as confidently measured as Major Darwin seems to assume—at any rate in respect of "mass selection."

Equally serious doubt attaches to the rôle played by heredity in determining the various human types that Major Darwin wishes to bring within the scope of eugenic reform. Here it is

necessary to distinguish. There is a fair measure of agreement in regard to some of the extreme types. Thus the eugenic case seems clearly made out as far as the feeble-minded are concerned. On the other hand, in relation to criminals, Major Darwin relies too much upon the work of Goring whose conclusions have been seriously shaken by later investigations. Even more dubious are his conclusions with regard to the lower levels of the poor. In this connection he lays much stress on the well-known phenomena of differential fertility as between the social classes and advocates the spread of the practice of family limitation among the poorest classes, while denouncing vigorously the use of contraceptive methods when likely to result in an undue limitation of the size of families of parents of the "best stock." For this policy there is no doubt much to be said on general grounds, but whether its adoption would lead to an improvement in the innate or racial constitution of the people may well be doubted. For the probability of such an improvement rests on the assumption that the differences between the social classes correspond to, or are based upon, differences in innate endowment. But for this assumption Major Darwin gives extremely little scientific evidence. The present reviewer has recently had occasion to examine such evidence as is available in this connection, and has reached the tentative conclusion that differences in respect of physical and mental characters do exist between the social classes, but they are slight in comparison with the individual differences within each social group, and further that in the present state of our knowledge it is not possible to determine to what extent such differences as do exist are due to innate and environmental factors respectively. It is possible that with the increase of mobility from class to class the differences may increase, but no scientific measure exists of the extent of mobility and on the other hand there is some evidence which suggests that the difference in fertility as between the social classes is already diminishing. In general Major Darwin is too ready to take economic success as a criterion of innate fitness. Similar remarks apply to the ease with which he assumes the heredity of such complex mental characters as prudence, foresight and ambition. That hereditary factors are involved in them need not be disputed, but it is equally certain that tradition and psychological environment generally play an important rôle in their development and in determining the direction which they take and the recognition of this would involve serious modification of many of Major Darwin's arguments, especially in his discussion of the extent to which fertility is determined by innate qualities.

He appears also to underrate the extent to which family limitation is influenced by the standard of life. The conclusion that follows naturally from his arguments relative to differential fertility would seem to be that economic reform should be directed towards equalisation of distribution and the raising of the standard of life among the poorer classes. But this he avoids, because the only method which occurs to him in this connection is direct state aid which he dislikes, and because he thinks such a policy would carry with it increased taxation, which in turn, would lead to diminished fertility on the part of those bearing the burden, who by hypothesis belong to the most desirable classes. As against this, it may be urged firstly that those who believe in the importance of raising the standard of life among the poor would not dream of confining their measures to direct state aid, and, secondly, that Major Darwin exaggerates the extent to which deliberate family limitation among the rich is influenced by taxation. Is there really any evidence to show that the rich could not maintain larger families if they wished?

Upon the whole it would appear that while Major Darwin, in common with other eugenists, may be said to have made out a case for eugenic reform in relation to some of the more extreme types of undesirables, a great deal more work both biological and sociological will have to be done before the "bold policy" which he contemplates can be safely adopted.

MORRIS GINSBERG.

Devolution in Great Britain. By WAN-HSUAN CHIAO, Ph.D.
New York: Columbia University Press; London: P. S.
King. 1926. Pp. 287. 18s.

Dr. Chiao's interesting volume may be divided into two parts. It is a careful narrative of the history of the movement for parliamentary devolution; and it seeks, also, to argue that devolution is the remedy for the main ills to which the House of Commons is now heir. The first part is done with great care. If, sometimes, Dr. Chiao takes a speaker in a parliamentary debate at his own valuation, or assumes that a pronouncement in favour of devolution is an argument, these are the natural weapons of the enthusiast, determined at all costs to establish his case. In general, this part of the work is well done, and will save students of public administration much dull labour in Hansard.

The second part is a very different matter. It consists, not of original quarrying in the material, but of interpretations placed

on the statistics provided by the Speaker's Committee of 1919, and an independent investigation by Mr. J. S. Henderson and myself in an earlier number of this journal. It is common ground between Dr. Chiao and the critics of devolution that the House of Commons is to-day overwhelmed. From the amount of time devoted to local matters, Dr. Chiao seeks to show that only some system of subordinate Parliaments can relieve it from dangerous pressure. I do not feel that he has made out his case.

For to do so, he must present a considered institutional plan that is workable. This he does not even attempt to do. The Speaker's Conference was fruitless simply because once it passed from functions to institutions no agreement was possible; and each party considered the schemes of the other worthless. Nor do the statistics convey the impressions Dr. Chiao is anxious to make them do. Broadly, they suggest that one fourth of parliamentary time is spent on local matters. But that does not mean that subordinate Parliaments would save this amount of time. The Imperial Parliament, on any scheme, must remain supreme in finance; and this would mean that its grants-in-aid to subordinates would in each case remain subject to scrutiny and, in matters of grave party differences, intense and time-exhausting scrutiny. Nor does the experience of America indicate that the mere multiplication of legislatures is a sovereign remedy; on the contrary, its real lesson is rather the startling rapidity with which we limit the number of members genuinely gifted with legislative insight.

If Dr. Chiao wants seriously to convince his critics, it is to something more than vague generalities that he must bend his energies. He must (1) tell us the units for which Parliaments are to be constructed. Can he, for instance, conceive a local English Parliament and an Imperial Parliament at Westminster with different parties in office? (2) Where the power of disallowance is to rest. If it is with the Imperial Cabinet, how is he going to protect us against its partisan use? if with the judiciary, how is he going to preserve us from the evils of such things as the Fourteenth Amendment in the United States? (3) What is to be the relations between Local Government and the subordinate legislatures? (4) Is he prepared for different systems of taxation in England, Scotland and Wales? (5) Does he believe that the functions recommended as suitable by the Speaker's Conference are really adequate to give a legislature importance and dignity? (6) Granting the difficulty of attracting able men into the work of Local Government, does he think that the subordinate Parlia-

ments will be more successful? (7) Does he think that the multiplication of the Civil Service entailed by devolution is a desirable thing?

These are the elementary questions Dr. Chiao has not seriously attempted to answer. Other and more far-reaching questions—the effect, for instance, of a full reorganisation of Local Government as an alternative plan—do not seem to have occurred to him. It is to be hoped that in a later edition he will think the opinions of members of Parliament less, and the institutional problems more important. For only then, despite the real interest of what he has written, can he be said to have come to grips with his subject.

H. J. LASKI.

The English Brass and Copper Industries to 1800. By HENRY HAMILTON, with an Introduction by SIR WILLIAM ASHLEY. Longmans, Green. 1926. Pp. xxvii+388. 18s.

The term "Industrial Revolution" is beginning to suffer a well-merited eclipse. The idea that the mystic date 1760 plays the same part in economic affairs as the date 1789 in political affairs still lingers in syllabuses, but it has long ago been abandoned by scholars. During the last five years a number of important books have appeared, the main result of which has been to set the history of the so-called revolution in its proper perspective, more particularly by an investigation of the earlier part of the eighteenth century. But what is needed is a series of intensive studies of the history of the great industries, particularly mining, metallurgy and the textiles, from the sixteenth to the eighteenth centuries. The books of Mr. Lloyd on the cutlery trades, of Mr. Ashton on iron and steel, of Professor Daniels on the early cotton industry, and of Professor Heaton on the Yorkshire woollen and worsted industry were important first steps in this direction, and now Mr. Hamilton's careful investigation of the English brass and copper industries to 1800, takes the enquiry a stage further, tracing them, as he says, "from the simple beginnings of copper mining at Keswick to the time, at the close of the eighteenth century, when there seemed no limit to the trades which Birmingham would create in the working up of copper and brass."

The story of this development begins with the reign of Elizabeth, when the Government, largely with the object of making England self-sufficing in the matter of ordnance and also of the wool cards which were essential to her chief industry, encouraged Germans

to invest capital in planting the infant industry and to bring over skilled workmen from the Tyrol to teach the art of smelting copper and making brass and the various processes involved in making wire and battery goods. German miners were established at Keswick in 1565 and in the same year calamine was discovered in Somerset and wireworks were set up at Tintern, and in 1568 two powerful companies, the Mines Royal and the Mineral and Battery Company, were floated to finance the new venture. Under this form of monopoly the industries were firmly planted by the end of Elizabeth's reign, but under the early Stuarts the abuse of legal monopoly, which is a feature of the time, is to be seen in the attempts to prevent the importation of competing goods, to the detriment of the native pin and wire makers, who were forced to deal solely with the Mineral and Battery Co. After the Civil War the industries languished for thirty years, but the removal of the monopoly of the Mines Royal in 1689 allowed private enterprise to enter the field and after this their revival was rapid. The eighteenth century was mainly occupied with a struggle to capture the home market against the competition of foreign brass and the growth of an export trade, and with a steady process of amalgamation and combination; and in a particularly interesting chapter Mr. Hamilton describes the elimination of competition between the old Cornish and the new Anglesey industries, and the formation of an exceedingly "modern" type of combination to control the whole copper trade of the country.

Mr. Hamilton traces with care the rise of a foreign market for English brass and copper, the history of wages and employment, the evolution of commercial and industrial organisation, and in particular the rise to pre-eminence of Birmingham as a centre of the manufacture. As to the "Industrial Revolution" his conclusions are thus summed up:

Throughout the whole period of our investigation the existence of large companies with considerable amounts of capital has been manifest; and thus, at least for the brass and copper industries, the term "the industrial revolution of the eighteenth century" loses much of its force. It is true, of course, that the main features of the factory system became more pronounced as we moved forward, but the use of large capitals, the employment of wage-earners under the roof of the employer, the existence of minute specialisation, were of far-reaching importance long before the second half of the eighteenth century. . . . "The trades," as distinct from the heavy manufacturing side of the industries, continued largely in the hands of small men and domestic workers, who employed little capital. If we think of the whole group of occupations from the mining of the raw material

to the production of the finished goods as constituting one interconnected industry, we may say that it combined the factory system with the domestic, the large employer with the "small man." It shows, in epitome, the general trend of English manufacture.

There is a short and, as usual, very suggestive introduction by Sir William Ashley, emphasising Mr. Hamilton's conclusion as to the relations between domestic and capitalistic industry and suggesting parallels in other trades; "what we ought to realise is that, to a surprisingly large extent, . . . domestic industry has flourished largely because its materials were provided for it, with sufficient cheapness, by more highly capitalised concerns in the previous stage of the productive process."

Altogether this book is a thorough and excellent piece of work; there are twelve appendices, dealing with technical processes or printing original sources, an excellent bibliography and some interesting contemporary illustrations. EILEEN POWER.

Some Problems of Wages and their Regulation in Great Britain since 1918. By ALAN G. B. FISHER. P. S. King, London. Pp. xvii+281. 12s. 6d. net.

The period from 1918 to 1924 provides an almost ideal field of investigation for students of wage problems. An immense number of wage adjustments were taking place, accompanied by a considerable shifting in the nature of the demand for labour. At the same time these eight years witnessed a boom and a prolonged depression; a period of strong and aggressive labour organisation and a period of declining union membership; and an atmosphere of reforming—if optimistic—zeal followed by a period of cynical and pessimistic indifference to social problems. Every problem familiar to wage regulators was presented and the circumstances of the time were insistent that some kind of solution should be attempted. So significant a period was worthy of a detailed chronicle, and this is what Dr. Fisher supplies. The title of his book, sacrificing as it does euphony to precision, indicates clearly the ground that is covered. The value of the book is increased by the shrewd criticism and analysis which accompanies Dr. Fisher's careful descriptive study, and one could wish that he had expanded this part of his work. While at first sight it appears that he merely chronicles the various attempts made to grapple with wages problems in Great Britain, he in fact uses certain institutions or industries as special cases of a particular problem. Thus the Trade Board system

provides a focus for a discussion (not perhaps very deep) of the problems of a minimum wage, while the difficulties connected with the application of the Fair Wage, in Professor Pigou's sense, are well indicated in the chapter which describes the negotiations over railway wages.

The book as a whole makes somewhat gloomy reading in spite of Dr. Fisher's gentle irony and agreeable style. It is the story, with which we are becoming so uneasily familiar, of high hope now mouldering cold and low. By a careful study of the literature of the time and a skilful use of quotation, Dr. Fisher is able to transport the reader into the period at the end of the war when human volition was deemed capable of solving all industrial ills, and when the appointment of joint committees and conferences was to be but the first step to an economic reorganisation which might "settle the future of civilisation." Dr. Fisher describes only too well the change from that ideal, and even his own attitude seems to alter with the period he is describing. As the chronicler of the fate of the National Industrial Conference and all that it may have stood for, he blames the Government for failing to give the lead which "would have made possible a valuable and permanent conclusion to a work on which much thought and energy had been expended" (p. 81). By 1924 he is much more cautious, arguing that "co-ordination is more likely to be effective if it is left to the separate negotiation of the industries. . . . It took much more than five years to develop the flexible pre-war system of relations, and probably the post-war system must be left to develop in the same way" (p. 246).

It is almost impossible to draw any general conclusions from the experience of such a period, but Dr. Fisher, perhaps anticipating a charge of inconclusiveness, makes certain tentative suggestions. He thinks that "in compulsory arbitration there is little to be said" (p. 264), although "the case for insistence on the payment of a minimum living wage seems now to be well established" . . . "but a revision of the ordinary theory of a living wage, based on the needs of a standard family, is imperative" (p. 265). He holds that "a retail-price sliding scale is a useful adjunct to any system of wage regulation" (p. 265), but is "in no sense a substitute for wage negotiations which aim at discovering a stable basis in each industry." "For wages above the minimum it is difficult to suggest anything which in principle differs from the result of the interaction of the forces of supply and demand, the wage level determined by competition" (p. 266), and while "wage regulation of some sort there must be; the

organisation of industry makes this quite inevitable" (p. 270), "the scope of wage regulation as a factor in raising the general standard of life is strictly limited" (p. 269). One might perhaps criticise Dr. Fisher for not attempting to make those limitations more precise and for not making clearer in his chapter on the Industrial Courts the exact points at which principles came into conflict with expediency. For that is the crucial problem. But the book as a whole provides an extremely useful and important addition to the literature of the "reconstruction period," and Dr. Fisher is to be congratulated upon making what might have been a dull and confusing catalogue of conflicting interests into a coherent and eminently readable narrative.

E. M. BURNS.

The Decline of the West. By OSWALD SPENGLER. English translation with notes by C. F. ATKINSON. Allen and Unwin. 1926. Pp. xviii+443. 21s.

No recent work is harder to assess than Dr. Spengler's massive treatise, the first volume of which is now issued in English translation. One may criticise its history, with its suspicious preference for peoples and periods in which the average reader is least at home and even the expert most often reduced to uncertain theories, and with the contrasting unconvincingness of its references to more studied fields—above all, the last century in Europe. One may criticise its philosophy of history, a re-creation of the well-worn cyclical hypothesis, though with cycles more clearly defined, and differentiated on a new basis. And one may attack its general philosophic standpoint, and find in much that is written, for instance, on space and time and the theory of number what may be called by some poetic insight, by others "sublime mysticism and nonsense," but by none, however friendly, a coherent and logical system of philosophy. Yet when all is done, one is left confronting a mind of undeniable greatness, and convinced of the futility of petty niggling seriously to diminish its stature.

Spengler is primarily poet. He has the poet's genius for revealing pregnant analogies and giving the thrill of sudden illumination by an epithet, a subtle grouping, a verbal opposition—too often lost in translation. He has, too, the poet's habit of presenting his world-view in odd facets, unproved in isolation, and unlinked by chain of argument, yet building up the impression of a psychologically consistent whole to be recognised as true and accepted intuitively by the consciousness addressed.

By profession he is primarily mathematician, and one suspects that the angle of his world-view was originally established by that modern development, the Theory of Groups, wherein not mathematical terms, nor expressions, but operations as a whole, are the units of morphological study and comparison. It is probably regrettable that in his actual exposition he has chosen to express his morphological study of societies rather in terms of the biological life-cycle, thus needlessly introducing subjective judgments of the value of different phases of civilisation. Such judgments are really alien to his thought, yet it is impossible to use terms like youth and senility or spring and winter without emotional significance.

As historian he has two great merits. He carries to a new pitch the present tendency to broaden the scope of history by the inclusion of the histories of science and art, of music and mathematics and philosophy, not as separate studies, but in their inter-relations as emanations in different fields of the informing spirit of particular epochs or civilisations. And he is original to the point of paradox—sometimes one is tempted to suspect wilfully and factitiously so. No reader, finding that he has here to take all history for his province, need fear encounter with the hackneyed generalisations of the average universal historian. Epoch, culture or person, if introduced at all, is certain to be introduced in new dress and with new companions to invite comparison. And if at length one turns from Spengler's new groupings and spot-lights with the feeling that after all the traditional scheme was the nearer to the objective truth of history, one has at least endured a healthy discipline, and has been reminded that the conventional framework of history, with its Ancient and Mediæval, its Renaissance, and Reformation, and counter-Reformation *is* after all a framework, perhaps the least Procrustean that can be found, but a framework imposed upon the events of the past, and that our judgments of proportion and significance have often been distorted in the process of fitting in events within this frame.

Of Spengler as prophet, and in his latest development as political pamphleteer, it is less easy to speak with favour. Even if one accepts in general terms his cyclical theory of the life-history of successive cultures, one may yet well find inadequate and grossly distorted the evidence he proffers to support his view that "Western" civilisation has now entered on its winter-phase, with no hope for culture and the arts, no future save for material development. And even were the evidence far more

convincing than it is, one might still protest that if it is in the spiritual that we find our values, we should pursue the spiritual even though the *Zeitgeist* have foredoomed the visible results of our pursuit to insignificance compared with the spiritual achievements of the "summer" of our culture, or the material achievements which more fitly dominate and characterise its "winter." But that is to desert completely the real Spenglerian standpoint, from which the grossest materialism of "winter" is as much or as little desirable as the promise of spring or the bloom of summer since each is in its place in the life-cycle of the whole culture. Hebrew prophecy was always vital, since its fulfilment was always contingent on the absence of repentance in the audience addressed; the more prudent among the prophets of modern science append to their warnings the proviso "if mankind continues to hold its present course"; but to Spengler to know the future from study of past cycles and yet to struggle against the tendencies of the age is folly and akin to sin.

L. G. ROBINSON.

The Early English County Court. By WILLIAM ALFRED MORRIS. University of California Publications in History, Vol. XIV, No. 2. Berkeley, California. 1926. Pp. 89-230. \$1.75.

The study of English history owes much to the researches of American scholars, and Professor Morris's work on English institutional history is already well known. His account of the Frankpledge System has become an accepted work, whilst his two articles on "The Office of Sheriff in the Anglo-Saxon Period"¹ and "The Office of Sheriff in the Early Norman Period"² have prepared us, in a way, for the present volume. He has not disappointed us. The work is admirably arranged. Part I (pp. 89-146) provides an historical account of the county court of the thirteenth and fourteenth centuries, whilst Part II (pp. 149-230) consists of a wide selection of illustrative documents. This latter part is again divided into two sections: (A) documents throwing casual light upon the nature and functions of the county court, and (B) extracts from consciously preserved county court records. All but one of these supporting documents have been transcribed from manuscripts in the Public Record Office, whilst none of them have hitherto been printed in full.

The historical account is terse and to the point, though at times we would have welcomed a fuller statement. Principally it is a masterly assembly of the known facts, but Professor Morris has also brought forward several new points which had escaped

¹ *Eng. Hist. Rev.*, xxxi, 20-40.

² *Ibid.*, xxxiii, 145-175.

previous researchers such as Gross, and Pollock and Maitland. The work is one of undoubted value for both student and teacher.

All mediæval historians are limited by their material, and in reading the present work not a few questions seem to arise upon which the last word has probably not yet been said. In the section upon "*Magnus Comitatus*" and "*Plenus Comitatus*" Professor Morris shows clearly that the *plenus comitatus* is not the bi-annual *magnus comitatus* or *generalis comitatus* (of which practically all that we know is that it was attended by a fuller body of suitors), but he is less clear as to what the *plenus comitatus* actually is. When he says, "So the full county court was clearly the open public session attended by the body of those who were customarily under obligation to attend" (p. 99), he seems to make the attendance of the full body of suitors a necessary feature of the *plenus comitatus* as opposed to the *comitatus*. But was this so? Had *plenus* any numerical significance at all? It is beyond question that at a later period its application to courts was merely indicative of the publicity of their proceedings. Professor Pollard, for England, and Professor Rait, for Scotland, have shown that such was its meaning in the phrase *in pleno parlamento*. The vernacular translations of the early Scottish codes equate *in plena curia* with "in playn courte" or "in full court,"¹ and *in pleno vicecomitatu* with "in the playne schirefdome."² In many instances, too numerous to be ignored, we find *in plana curia*, where, if *planus* is not a corruption of *plenus*, it can carry no meaning other than "open." Such later phrases as "in vesag of the plane court" leave little room for doubt. Whether this was its original meaning, however, is not so clear. Any suggestion of its connection with courts held in the open air can probably be dismissed as fanciful. Its early use is definitely indicative of a court that was in some way more authoritative, more legally powerful, than the mere *curia*. Professor Morris himself had previously suggested a distinction between *comitatus* and *retrocomitatus*,³ but in the present work he re-affirms that the expression "clearly refers to one aspect of any session of the county" (p. 100). What was this aspect? Is it not possible that at first it was the formal as opposed to the informal sitting? The court that was "fenced" or had full legal power as opposed to the "unfenced" court? Such a distinction was well known in Scotland⁴ and on the Continent,⁵ and the cases cited by Professor

¹ *Acts Parl. Scot.*, i, 348, c. 75; 353, c. 100. ² *Ibid.*, i, 319, c. 10.

³ *Eng. Hist. Rev.*, xxxix, 401-403. ⁴ See *Scot. Hist. Rev.*, xxi, 54-62.

⁵ See K. Burchard, *Die Hegung der deutschen Gerichte*, Leipzig, 1893.

Morris (p. 99 and note 59) would fit in with such an interpretation. Business of certain kinds could undoubtedly be transacted at informal sittings (which might, indeed, be held on the same day), but the formal court gave the full stamp of legality and publicity. Such a court had to be held upon due notice at a lawful place and time, and had to be attended by the necessary officials *and the requisite number of suitors to make up the body of the court*. This would account for the later stress upon the publicity of the proceedings—a contrast to hole-in-the-corner work. Or again, *plenus* might solely refer to the attendance of that sufficient body of suitors to make the court competent to transact particular business—not *all* suitors, but the legally requisite number,¹ and even to-day *plenum* is apparently used in Germany to indicate a judicial bench sufficiently full to give decision. Professor Morris has helped to limit the problem, but the problem still exists.

Connected with this is the further problem of suit. Here Professor Morris has apparently misread the author of the *Leges Henrici*, who definitely refers to suit at the bi-annual meetings. And how far is that collection to be trusted? Was suit paid to both the *comitatus* and the *comitatus generalis* upon a seven-days' summons? How long did the system of summons last for courts which were not specially assembled? By the thirteenth century suit "had come to rest" upon certain lands (the suitors from those lands forming the suit-roll of the sheriff), and the dates of court-meetings were fixed and known. Where, then, lay the necessity for summons? Would not the lands astricted to suit of court pay that duty automatically? Again, the *Leges Henrici* seem to present a transitional period between the personal service of Anglo-Saxon times and the territorial service of Norman feudalism, between the privilege of the freeman and the burden of the freeholder. Had suit become definitely territorial by the thirteenth century? We think so, and yet in Professor Morris's documents (pp. 152, 224) there is no definition of the lands.² The exact interpretation to be placed upon c. 10 of the Statute of Merton is not clear, and Professor Morris recognises that there are difficulties (p. 104). Is there a distinction between *suit* and *presence*—a distinction well known in Scotland?

¹ Cf. the fencings by question and answer cited by Burchard, *op. cit.*, p. 138—Is the bench of suitors full; if so, the court can proceed to justice, etc.

² In Scotland suit was from the outset territorial, being part of the *reddendo* for the lands, and Scotland represented the contemporary practice in England. See also *Mirror of Justices* (Selden Soc.), 37, and compare *Acts Parl. Scot.*, i, 732, c. 19, with *Provisions of Westminster*, c. 1.

On p. 94 we are told that in the latter half of the thirteenth century the county court was in some cases forsaking the castle for the shire hall. But the *aula* was frequently within the castle,¹ and it may be that there the change was from the gate of the castle to the hall, though the practice would undoubtedly vary. That the county court was not a court of record is clearly laid down (pp. 128-129), and this section should be read in conjunction with the note by Mr. Hilary Jenkinson in *Cambridge Historical Journal*, i., 103-107, and that by Mr. R. Stewart-Brown in *English Historical Review*, xxxix, 83-85.

Although we have discussed these points at some length, it has merely been in order to show a few of the problems that still beset the path of the inquirer into mediæval institutions. Professor Morris has cleared away many of our difficulties, but some still remain. His volume is the first volume in the Historical Publications of the University of California to bear upon English history. He has set a high standard for those who follow.

W. C. DICKINSON.

Principles of Marketing. By Professor F. E. CLARK. The Macmillan Company, New York. 1925. Pp. xiii+570. 12s. 6d.

Economists in this country are certainly devoting a more than proportionate attention to the problems of the production of physical goods, as compared with the problems of their distribution. We know that the costs of marketing are normally as great as the costs of actual production, and yet we calmly dismiss the whole vast subject with a wagging of the head which implies a probably quite irrational belief that someone is profiteering somewhere, or else we mutter some tribute to the modern fetish, "combination for all and everything." To study marketing problems seems still to be beneath the dignity of an economist, just as until recently it was deemed beneath the dignity of a gentleman to be a shopkeeper. Even in this country, however, some attention is beginning to be paid to marketing, as witness, for example, the recent efforts by the Ministry of Agriculture, but the subject is not yet receiving a tithe of the attention which it is receiving in the United States.

The appearance, therefore, of an American volume of nearly 600 pages entitled *Principles of Marketing*, inspires the English reader with anticipations of an epoch-making magnum opus.

¹ See J. H. Round, "' Shire-House ' and Castle Yard " in *Eng. Hist. Rev.*, xxxvi, 210-214.

One feels that no mere text-book with such a title could be of such a length! Yet Professor Clark has not really given us anything more than a text-book. Even for this we ought perhaps to be grateful, and Professor Clark may reply that our anticipations were unreasonable and illegitimate. But disappointment is hard to conceal.

The length of this book is mainly due to the inclusion of detail which is, in our opinion, not essential for the treatment of the principles involved, and to an altogether unnecessary elaboration of the obvious and the commonplace. The former applies especially to the first half of the book, and the latter to the second half. After a couple of introductory chapters, which, as such, are very good, about 80 pages are devoted to a description of the marketing of agricultural products and raw materials in the United States, the effect of which on the casual reader is simply bewildering. Then come four chapters on the marketing of manufactures: here principles seem to emerge more clearly. The two chapters on retailing are interesting, and the theme is well developed, even if they contain nothing very new. Chapter XIII on Distributive Co-operation is a mere sketch. The second half of the book now begins, and is composed of a discussion of specific functions and problems, such as physical distribution, financing, risk-bearing, provision of market news and its importance, standardisation, etc., etc. A study of market prices, and their relation to normal prices, is timely, if again not very exhaustive. The chapter on Price Maintenance is interesting, but price maintenance only means the fixing of re-sale prices, and no attempt is made to deal with the great problems of price stabilisation. In dealing with the possible elimination of middlemen, the efficiency of existing methods of organisation, and their cost, Professor Clark reminds us of many points which are apt to be forgotten, but his sense of the surrounding difficulties seems to prevent his reaching any very definite or important conclusions.

The epoch-making constructive study of marketing has still to be written, but Professor Clark would have come very near writing the best text-book on the subject, if he had not mislaid his blue pencil. In view of the great labour which this book must have entailed, it sounds churlish to suggest that it ought to have been half its size. Nevertheless, we hope Professor Clark will find that blue pencil, and use it vigorously in preparing the next edition.

J. W. F. ROWE.

Money and the Money Market in India. By P. A. WADIA and G. N. JOSHI. Macmillan. 1926. Pp. xii+440. 21s.

Starting from the sweeping thesis that "most of the problems of the world are acknowledged to be problems rooted in monetary policy, in currency measures, in exchange regulation, in credit control," Professors Wadia and Joshi have attempted to analyse the fundamental problems of currency, credit and exchange in the light of Indian conditions. Their method is to consider past and present theories of "money" in the broadest sense of the term, and then to apply their conclusions to Indian monetary problems, with the object of formulating "a definite monetary policy for India, based on incontestable monetary principles and facts."

In the past the weakness of economic thought and teaching in India has largely been due to the attempt to apply conclusions and policies to the problems of a country whose social milieu does not fulfil some of the fundamental assumptions of those who approach the subject from the Western point of view. Hence the attempt to approach the economic problems of India in the way chosen by Professors Wadia and Joshi in this volume (and in its predecessor *The Wealth of India*) cannot be too highly applauded. Nevertheless, the method has certain pitfalls of its own. For instance there is the difficulty of avoiding the arid re-presentation of well-known (and sometimes of obsolete) theories, and the danger of concentrating attention upon the inconsistencies of the economic policy of the Government of India, rather than upon the fundamental problems involved. The authors almost inevitably spend much time in the mere repetition of monetary theories to which their discussion adds but little. On the descriptive and historical side they are clear and concise and, on the whole, accurate, although some of their remarks are open to misunderstanding. For instance, their sole reference to the Managing-Agent System, which has been of first-class importance in guiding industrial and commercial investments in India, fails to give any adequate idea of the part played by that system, whilst it gives the erroneous impression that the universal custom is for managing agents to receive a commission not on profits, but on outturn.

The authors discuss fully the important question whether the objective of currency regulation in India should be stability of exchange or of prices. They plump unhesitatingly for the latter, whilst clearly recognising that price-stability does not necessarily mean the maintenance of a dead level of prices, which, they

argue, is neither possible nor desirable. Admitting that it is more important at the present day in India to aim at stability of prices than of exchange, it should not be overlooked that the relative importance of stability of prices and exchange is not by any means the same now as it was in 1914. Professors Wadia and Joshi ignore this fact, which undermines their criticism of the pre-war currency policy of the Government.

The authors marshal convincingly the facts and arguments in favour of a gold standard for India, although here again they tend to ignore the changes that have occurred since 1914. They fail to point out that the difficulties confronting the introduction of an actual gold currency would be much less now than at the beginning of the century. Moreover, they fail to bring out clearly the fact that before 1914 the difference between the "gold standard" and India's "gold-exchange standard" was not as great in practice as in theory. "The difference between a gold standard and a gold-exchange standard," they say, "is the difference between a currency convertible at will into gold, and, therefore, exportable, and a currency not convertible at will into gold, and, therefore, not exportable." As a matter of fact up till 1914 rupees were in practice, though not at law, convertible into gold, either in India or in London.

Finally, objection may be taken to the attribution of the pre-war rise in prices mainly to the excessive issue of currency. Had inflation occurred the gold value of the rupee must have fallen. As a matter of fact it remained practically stable. The whole question of the causes and effects of price changes in India requires further investigation, but to assume simple inflation appears to be ruled out of court.

The book provides a valuable introduction to the study of monetary problems in India, and should not be missed, either by those interested in Indian problems as such, or by Indian students who wish to study monetary problems in general.

VERA ANSTEY.

Eighteenth Abstract of Labour Statistics of the United Kingdom.
His Majesty's Stationery Office. 1926. Pp. viii+229.
4s.

The lack of a central statistical organisation serving the different Government departments is responsible for our having no statistical abstract for the United Kingdom comparable, as a comprehensive and handy book of reference, to those of the United

States, Germany, France and indeed most European countries. The *Statistical Abstract* issued by the Board of Trade is, compared with such foreign abstracts, a compendium of curious information and a monument to that dislike of systematisation, that genius for *ad hoc* improvisations serving immediate practical ends and that elevation of historical accident into hallowed precedent of which the English are so proud and other peoples contemptuous. The new *Abstract of Labour Statistics*, issued by the Ministry of Labour, has, on the other hand, an air of having been planned to cover its particular field with as much of comprehensiveness as available data and other circumstances would allow. Lack of inter-departmental co-ordination is, however, shown by the facts that the bulk of the 75-page statistical appendix to the *Survey of Industrial Relations*, issued a few months earlier by the Balfour Committee on Industry and Trade, is here almost identically reproduced and, more important in these days of national economy, considerable portions were so drafted for the *Survey* that it has been necessary to set up identical tables in fresh type.

The contents and *format* of the new *Abstract of Labour Statistics* do nothing to diminish the satisfaction we felt when its impending publication was announced, and it would be ungenerous to its compilers to detail a list of data we could have wished included. Two kinds of information could, however, with great advantage be included in all English official abstracts of statistics, and those are data for international comparison and important unofficial figures. The usefulness of the former is evident, some figures having little meaning except in comparison with those for other countries; while the inclusion of such data as unofficial price index numbers and the London and Cambridge Economic Service index of production and monthly index of wage rates would provide the reader, in the first case with a check on official figures, and in the others with information which the Government does not publish at all.

British official opinion would perhaps hold that the selection of some out of the many series unofficially compiled is a task which Government should and could not undertake; yet this difficulty has not been found insuperable by the United States Government, which chooses Dun's and Bradstreet's price index numbers for quotation in its *Statistical Abstract*.

FREDERICK BROWN.

Palgrave's Dictionary of Political Economy. Edited by HENRY HIGGS. Macmillan, London. Vol. I, A to E. Vol. III, N to Z. 36s. each.

Omnia mutantur: nihil interit is the motto of *Palgrave's Dictionary of Political Economy*, and the publishers have clearly taken it to heart in carrying out the present revision. There can be few subjects in which a descriptive, historical and theoretical Dictionary is so useful and yet so expensive to compile and keep up to date. The subject-matter changes so constantly that a complete revision at the end of thirty years would be intolerably expensive, at least so far as the descriptive and theoretical portions are concerned. The publishers have compromised by retaining the major portion of the original edition and making certain corrections and adding new matter in an Appendix.

In the two latest volumes less attention seems to have been paid to questions of law and much more to pure economics. The new sections contain some extremely useful biographies and much new material on social legislation. More space is also given to the various national schools of economics. The article on American Economists is particularly useful but might with advantage have given more attention to the problems and tendencies of the younger American economists, who are touched on in a somewhat cursory manner.

It is a striking commentary upon our changing industrial system that the first edition of *Palgrave* should have contained no reference to Unemployment. Even now the gap has not been very well filled, and the article on Unemployment is one of the least satisfactory additions. At a time when so much attention is being paid to the economics of unemployment, it is a little surprising to find so brief and incomplete a statement of the various theories.

Nothing has been added to the section on Strikes, although one might have expected to find some reference to their increasing significance in industrial organisation, and much statistical evidence is now available. Nor is there any mention of the legislative efforts to prevent or minimise industrial unrest. Trade Boards, Wages Boards and Whitley Councils do not appear, although their importance is considerable, while there is no recognition of the growing interest in subjective costs and the mass of significant material relating to mental and physical fatigue.

Even a London man can hardly be accused of bias if he protests about the information given under the heading of "Economics, Teaching of." In view of the relative importance of London,

Oxford, and Cambridge as centres for the teaching of economics as regards numbers of undergraduate and post-graduate students and teaching staff, it surely indicates an inadequate sense of proportion to devote five columns to the syllabus of the Cambridge tripos, three to the syllabus of the School at Oxford, and to make no reference at all to those of the Economics and Commerce Degrees in London, beyond an inaccurate seven lines on p. 875!

E. M. BURNS.

Myth in Primitive Psychology By B. MALINOWSKI. (Kegan Paul. Psyche Miniatures, General Series. Pp. 128. 2s. 6d. net.)

In differentiating the various types of tales which are generically classified as myth and in emphasising their functional value, Dr. Malinowski has given us something new and at the same time, we venture to think, something true. But we cannot do better than allow him to speak for himself, as the quotations which we have selected contain the kernel of his thesis and no résumé of ours could better summarise the points which he wishes to present. "Myth is thus a vital ingredient of human civilisation:" (he writes on p. 23) "it is not an idle tale, but a hard-worked active force; it is not an intellectual explanation or an artistic imagery, but a pragmatic charter of primitive faith and moral wisdom." And again, as a natural corollary, on p. 30 we read: "When a scholar jots them down without being able to evoke the atmosphere in which they flourish he has given us but a mutilated bit of reality."

With all this we are in entire agreement and if we venture to criticise, our criticism is directed, not against Dr. Malinowski's main thesis, but against the method of its presentation. The correlation of myth with experience and its functional application to the needs of every-day life are so convincingly demonstrated that we are amazed at our previous neglect of what we now accept as obvious. But Dr. Malinowski suffers from the defects of his enthusiasm. It is not really necessary that a new discovery should invalidate all earlier theories. The fact that myth has a functional value does not of itself debar an etiological explanation in certain cases, and we would not ourselves agree that Miss Harrison is wrong in her explanation of, for example, some aspects of Ionian mythology. Nor would we agree that a Freudian interpretation would be impossible for the snake myth of p. 27. A high-spirited and many-fronted onslaught on the professors of a dozen other sciences affords good reading and makes for vivacity and entertainment, but we ask for more than this

from Dr. Malinowski, and in so slight a volume we could wish that irrelevancies had not been admitted.

Again we suggest that the Dedication is lacking in candour when Dr. Malinowski states that he serves up no theories of his own, but deals only in plain facts: whereas in the essay itself we find such sentences as: "This is perhaps the most important point of the thesis which I am urging"; or again (on p. 123): "I have now completed the survey of facts and range of conclusions. I have tried to show . . ." If these criticisms appear too meticulous, we can only urge that they are the tribute of our sincere admiration.

J. H. DRIBERG.

An Approach to Social Medicine. By FRANCIS LEE DUNHAM, M.A., M.D. Baltimore: The Williams and Wilkins Co., 1925; (London: Baillière, Tindall and Cox). Pp. 242. 18s.

In this book Prof. Dunham urges forcibly the need of a new science "to which social science, psychology, psychiatry and various other departments shall contribute, but upon no one shall the entire burden of responsibility fall." For this very comprehensive study of human life and conduct the name of "Social Medicine" is suggested. Its object would seem to be to determine the nature of man's social habits, to discover the sources of instability, and the methods for securing an equilibrium between innate and acquired tendencies. The method advocated is the detailed study of personality by means of case histories covering personal, psychological, physical and social data. This is no doubt a method of approach that has been found very serviceable, and its future possibilities are rightly emphasised by the author. His general philosophical position is, however, far from clear. He sometimes speaks as though he regarded physico-chemical energy as the fundamental cause of social phenomena, while at other times he lays special stress on biological and psychological factors. How are all these related to each other? We are not, of course, entitled to demand a complete metaphysics from Professor Dunham, but some answer to this question is needed in order to supply a principle for co-ordinating the various sciences to which appeal is made. The discussion of the various aspects of Social Medicine, too, is somewhat scrappy. Nevertheless the work is suggestive and when supplemented by clinical demonstrations of typical cases likely to be useful for teaching purposes.

MORRIS GINSBERG.

The Economic Revolution in British West Africa. By ALLAN MCPHEE. Routledge. 1926. Pp. xii+322, maps and charts. 12s. 6d.

Considerable public attention has recently been directed towards British West Africa, partly on account of the activities of the British Cotton Growing Association, but mainly in connection with the Kenya agitation, as it is usual to draw a contrast between the land policies pursued in British East and West Africa respectively. Even so, far too little is still known about our West African colonies, whose total population exceeds that of all the self-governing dominions taken together. Although British West Africa only began to be opened up at the very end of the nineteenth century, these colonies now produce more than 50 per cent. of the world's supply of cocoa, export large quantities of palm oil, palm kernels, gold, tin and groundnuts, and—despite disappointing results in the past—possess enormous potentialities for the production and export of raw cotton. Moreover, British West Africa has been the scene of the “last word” in tropical colonial policy.

Those of us who believe in the British Empire not so much for what it has already achieved, as for what it may achieve in the future, but whose faith has been rudely shaken by the revelations of land grabbing and harsh treatment of the natives in British East Africa, have tended to turn towards British West Africa in the hope of finding there a policy based upon realisation of the “dual mandate” implicitly conferred upon the alien rulers of any “backward” area, capable of extensive application elsewhere. In our West African colonies not only is the declared aim of the Government the development of native resources for the natives, by the natives, but there has been practically no alienation of native land in the past, nor will alienation be permitted in the future (at least, whilst the present policy prevails). The question is whether this policy has arisen out of a sense of justice and responsibility towards the inhabitants, and is likely therefore to be applied to other parts of the Empire, or whether it has merely arisen in response to the peculiar circumstances of West Africa, which have—so far—been unpropitious to European settlement and economic penetration.

Dr. McPhee throws considerable light on this problem, as well as on the general question of the economic potentialities of British West Africa. He enables us to gain a clear idea of the main physical, climatic, and economic features of the area and sketches shortly the history of British trade and rule in the five

colonies. Emphasis is rightly laid on the part played primarily by improved transport, and secondly by increased medical knowledge and improved agricultural practice, in the so-called "economic revolution" in British West Africa. The material results of such an economic revolution form an old story, which follows much the same lines in this area as in other parts of the globe. It is to the policy of the Government, in particular to its "native policy," hinging as it does upon land policy, that peculiar interest is attached. Four characteristics, common to the policies of the separate Governments, stand out: (i) The adoption of "indirect rule" and recognition that native interests should come first; (ii) The absence of any considerable alienation of land to non-natives; (iii) The suppression of slavery and prevention of forced labour; and (iv) The large part played by the Government (as opposed to individual enterprise) in economic matters. Let us admit at once that the origin of this policy is dubious. Is it not making a virtue of a necessity to suggest that Europeans have failed to found settlements and establish large-scale plantations out of altruistic regard for the interests of the natives, when it is obvious that the real causes have been climatic and medical? Nevertheless, the results have been favourable to native interests. On the whole the natives have not been exploited, but have at least shared in the benefits of the "economic revolution." This is not to say that their interests have always been placed first. The big trading companies undoubtedly cut out native traders and middlemen who, on more than one occasion, revolted in consequence. But whatever the origin of the policy, the fact that it has been clearly and unequivocally enunciated is a real gain. It can now hardly be reversed in the future—even if West Africa should become in reality the "health resort" that it has already been dubbed—and it can be quoted as a precedent by administrators elsewhere.

Dr. McPhee's own attitude towards the native problem is not always clear. He appears to be torn between democratic leanings arising out of his "labour" sympathies, and aristocratic leanings arising out of his realisation of the gulf between the Scot and the Savage. On the whole he appears to support the policy of the Government. His descriptions and conclusions agree on the whole with those of the Ormsby-Gore Report (Cmd. 2744, 1926) which has appeared since his book was written. He strongly advocates Government intervention in economic matters and recommends that the amassing of profits, not only by aliens, but also by the more prosperous natives, should be prevented. How far this

latter policy may in the future prove to be consistent with "indirect rule" remains to be seen. Meanwhile certain dangers arise out of this far-reaching Government control. Dr. McPhee himself advocates the diversion of the supply of cotton from the Nigerian hand-loom to the power-loom of Manchester, though he might be hard put to it to reconcile this suggestion with the policy of placing native interests in the forefront. One feels that the Government may often find it necessary to save these "raw savages" from themselves!

In conclusion, it can be said that Dr. McPhee has presented a most interesting account of the notable experiment in colonial administration that is at present being carried out in British West Africa. His book deserves the close attention of all students of the Empire.

VERA ANSTEY.

The Lords Commissioners of Trade and Plantations. 1748-1782.

By A. H. BASYE. Yale Historical Publications. Miscellany XIV. Humphrey Milford. Pp. viii+240. 11s. 6d.

Professor Basye has written a book that will undoubtedly prove useful to some historian of eighteenth century administrative methods, and he has presented his facts with the colourless impartiality that is expected of a research secretary collecting raw material for an original writer. It is difficult to believe that the subject, as he presents it, deserves the compliment of a volume to itself. He does not combat the general view that the Board of Trade was consistently sat upon by Ministers, except during the Presidency of Halifax, when it was temporarily invigorated by the intrigues of that ambitious and energetic politician.

On one matter the author uses his evidence to draw a conclusion of historical importance. The records of the Board show clearly that the problems of the Empire, which had been regarded in the seventeenth century as commercial only, had, by 1750, become predominantly problems of government. Another fact that emerges is the rigidity of the principles of Cabinet government in the days of the Pelhams. Officers without ministerial rank were never allowed to forget their inferiority, and George II was jealously guarded from the approach of any of his servants to whom political etiquette did not grant the privilege of direct access to the Crown. Where the book is most disappointing is in the absence of any serious attempt to show how far the confusion in the administrative machinery of the colonies, especially after 1761, contributed to the crisis that ended in the American War.

T. H. MARSHALL.

Kyoto University Economic Review. Vol. I, No. 1.

Although, in the words of the Balfour Committee on Industry and Trade, "Japan's rise as an industrial power is without precedent in the annals of modern history," and though there is an important school of economic study in Japan, the results of that study and adequate accounts of Japanese economic life have not hitherto been available to English readers. This has been due to the extreme difficulty of the Japanese language, and it is to make accessible to the Western world the fruits of Japanese economic scholarship that the *Kyoto University Economic Review*, printed in English, has been founded.

One of the most informative articles in the first number deals with one aspect of that rapid emergence from the feudal to the industrial stage which, by comparative study, should throw light on our own history. Professor Kawada, in "Tenant Systems in Japan and Korea," tells how the peasant, who for centuries was higher in the social scale than the merchant and the artisan, now finds himself poorer than the urban worker—depressed, in fact, by a tenant system by which he must pay more than half his crop in rent. This payment is considerably more onerous than that of the pre-Revolution French *métayer*. The result is an outbreak of "tenant disputes," which has interest not only for the economist, but also for the sociologist and the politic scientist.

This new project deserves special sympathy because the editors and contributors of the *Review* work in a country where heresy-hunting by police and politicians is all too common, and from which dispassionate students of the social sciences are not exempt.

Labour Migration in England, 1800-50. By ARTHUR REDFORD. Manchester: The University Press (London: Longmans, Green). 1926. Pp. xvi+174. 15s.

This volume, which is the third in the Economic History Series of the Manchester University Press, proves itself a valuable addition to recent investigation of those still mysterious phenomena of transition in the social structure of early nineteenth century England. It appears as a timely companion to Mr. Griffiths' *Population Problems of the Age of Malthus*.

Dr. Redford's interest in the subject of labourers in movement was excited by his observations in the Balkans during the war. He made comparisons with similar features of the social life of other European areas. Then he turned to the Reports of Com-

missioners and the Census Returns of the United Kingdom. The present study is witness to his conviction that the investigation of this special feature of social change furnishes "a key to the understanding of many problems which remain obscure."

But it is no reflection on Dr. Redford's achievement to say that it is valuable chiefly as a well-ordered collection of the recorded facts and of the dicta of contemporaries. Lack of the proper material seems to have driven him to begin his study as late as the beginning of the century, a date without real significance, for the shifting of population due to changes in industrial organisation was obviously already in full progress. The first census in England was only taken in 1801, and it is a meagre and a disappointing thing. It is not until one gets to 1841 and 1851 that one finds any abundance of statistical material. Rickman's brilliant efforts in the reconstruction of population figures for the eighteenth century offered good general conclusions, but give us little assistance towards an understanding of the migration problem. The evidence collected by the Poor Law and other Commissioners helps to some extent to furnish what is lacking. In many of his conclusions Dr. Redford is still forced to rely upon the weight of contemporary opinion, rather than upon the figures he has collected.

How are we to account for the disproportionate increase in the size of the large towns during this period? Why did the centre of gravity shift northward? Are these questions to be answered in terms principally of procreation or of migration? Arguments were produced to show that special causes were at work both in town and country. "The Manufacturing Population is invariably on the increase," says the Census Report for 1831, "not only as every short period of prosperity and increased wages produces imprudent marriages, but also because in many Manufactures children are able to maintain themselves at an early age, and so impose little expense on their Parents," etc. Similar forces were said to be at work on the countryside, the Speenhamland system of poor relief being urged as a special cause of generative prodigality, and so on. "The one argument is as valid as the other," Dr. Redford observes. "If both are admitted, they may account partly for the extraordinary increase in the country as a whole. (He does not venture upon a discussion of death-rate statistics.) But the arguments neutralise one another as far as the *relative* increase of the town population is concerned." The growth of population in the urban areas should, indeed, have been relatively less (the factor of migration excluded), "for the new manufac-

turing towns were notoriously unhealthy, and the infantile mortality extremely high."

Obviously a final answer is impossible, at least in our present state of ignorance. But it is possible to come to some conclusions on labour migration, and it will be long before this book is superseded as a study of this aspect of the "Industrial Revolution" (inverted commas now appear to be obligatory).

To early nineteenth century observers of these changes there was much that was perplexing. For there was no apparent *rush* of people from the country into the new towns, no visible tide of migration from the southern fields to the northern slums, no spate. Yet the movement was none the less real, and Dr. Redford's careful researches into the local origins of his migrants provide an explanation. "The great majority . . . went only a short distance, and migration into any centre of attraction having a wide sphere of influence was not a simple transference of people from the circumference of a circle to its centre, but an exceedingly complex wave-like motion." The mobile population "gravitated" rather than travelled, proceeding unconsciously on the same plan as the migratory peoples who drifted into Europe when the Roman barrier crumbled, a slow onward motion of each wave on the heels of its predecessors, as one area of subsistence was vacated after another, a progress of decades. Dr. Redford's maps admirably illustrate the nature of the drift, and indicate better than any textual explanations could how it was that at any moment newcomers into an urban area would seem to be arriving from the immediate area beyond its outskirts.

The periodical saturations of the country by immigrant Irish have sufficient claim as phenomena in their own right to receive separate treatment, though they were not without considerable effect on the general trend. Chapters VII and VIII, which discuss this problem, are probably the most important in the book. But mention should also be made of Chapter VI, which deals with Poor Law administration from a new standpoint, and Chapter III, which produces evidence to show that the decline of some of the older manufacturing areas came surprisingly late. The trade depression of the years following 1836 seems more than ever to have marked a turning point in English industrial history.

A. V. JUDGES.

Books and Pamphlets Received

(Books marked * are among those reviewed in this number ; for a complete list of Book Reviews in this number, see page ii of cover.)

- NORMAN ANGELL : *The Public Mind : Its Disorders, Its Exploitation.* Noel Douglas.
- GEORGE E. BARNETT : *Chapters on Machinery and Labour.* Oxford University Press.
- G. E. G. CATLIN : *The Science and Method of Politics.* Kegan Paul.
- GYAN CHAND : *The Financial System of India.* Kegan Paul.
- J. H. CLAPHAM : *An Economic History of Great Britain : The Early Railway Age, 1820-1850.* Cambridge University Press.
- G. D. H. COLE : *A Short History of the British Working-Class Movement, 1789-1925 : Vol. II, 1814-1900.* Allen and Unwin.
- G. W. DANIELS : *George Unwin : A Memorial Lecture.* Longmans, Green.
- ROBERT DEUMER : *Die Verstaatlichung des Kredits.* München : Duncker und Humblot.
- MAX EASTMAN : *Marx, Lenin and the Science of Revolution.* Allen and Unwin.
- EDWARD T. ELBOURNE : *The Marketing Problem : How it is being Tackled in U.S.A.* Longmans, Green.
- SIR GEORGE V. FIDDES : *The Dominions and Colonial Offices.* Putnam.
- *T. E. GREGORY : *The First Year of the Gold Standard.* Ernest Benn.
- R. G. HAWTREY : *Monetary Reconstruction* (Second edition). Longmans, Green.
- ROBERT L. HENRY : *Contracts in the Local Courts of Medieval England.* Longmans, Green.
- W. S. HOLDSWORTH : *Professor Sir Paul Vinogradoff.* Humphrey Milford.
- BELA VON JANKOVICH : *Beiträge zur Theorie des Geldes auf Grund der Erfahrungen in den Jahren 1914 bis 1925.* Wien : Manzsche Buchhandlung.
- *ALLAN MCPHEE : *The Economic Revolution in British West Africa.* Routledge.
- ERNEST MAHAIM : *La Belgique Restaurée : Etude Sociologique.* Bruxelles : Maurice Lamertin.
- KINGSLEY MARTIN : *The British Public and the General Strike.* The Hogarth Press.
- VIKTOR MATAJA : *Die Reklame : Eine Untersuchung über Ankündigungswesen und Werbetätigkeit im Geschäftsleben.* (4te. Auflage.) München : Duncker und Humblot.
- ARTHUR MAYHEW : *The Education of India.* Faber and Gwyer.
- *W. A. MORRIS : *The Early English County Court.* University of California.
- GEO. W. MULLINS : *Unemployment : The Gateway to a New Life.* Longmans, Green.
- GIUSEPPI UGO PAPI : *Sul Costo di Produzione nei Cicli Economici.* Roma : Attilio Sampaolesi.

- J. TAYLOR PEDDIE: *Capitalism is Socialism with Economic Adjustments*. Longmans, Green.
- *ARTHUR REDFORD: *Labour Migration in England, 1800-50*. Longmans, Green.
- RICHARD REISS: *The Town-Planning Handbook*. P. S. King.
- M. ROSTOVITZ: *The Social and Economic History of the Roman Empire*. Oxford: The Clarendon Press.
- JOSEPH SCHUMPETER: *Theorie der Wirtschaftlichen Entwicklung*. München: Duncker und Humblot.
- HORACE SECREST: *The Widening Retail Market and Consumers' Buying Habits*. Chicago: A. W. Shaw Company.
- SIR MALCOLM C. C. SETON: *The India Office*. Putnam.
- E. D. SIMON: *A City Council from Within*. Longmans, Green.
- WILFRED SMITH: *A Geographical Study of Coal and Iron in China*. Hodder and Stoughton.
- WERNER SOMBART: *Der Moderne Kapitalismus*: 3te. Band: *Das Wirtschaftsleben im Zeitalter des Hochkapitalismus*: 1ter. Halbband: *Der Aufbau*. München: Duncker und Humblot.
- SIR HERBERT STEPHEN: *The Conduct of an English Criminal Trial*. University of London Press.
- SIR GEORGE WARNER (Editor): *The Libelle of Englyshe Polycye: A Poem on the Use of Sea-Power, 1436*. Oxford: The Clarendon Press.
- LEONARD D. WHITE: *Introduction to the Study of Public Administration*. New York: Macmillan Company.
- Companies: Thirty-fifth Annual Report by the Board of Trade*. His Majesty's Stationery Office.
- *Ministry of Labour: *Eighteenth Abstract of Labour Statistics of the United Kingdom*. H.M.S.O.
- Report by . . . the Earl of Clarendon . . . and Mr. T. C. Macnaughten . . . of the Oversea Settlement Committee on their Visit to Canada in Connection with British Settlement*. H.M.S.O.
- Report of the Departmental Committee on Co-operative Selling in the Coal Mining Industry*. (Cmd. 2770) H.M.S.O.
- United States Tariff Commission: *Index of Foreign Commercial and Economic Periodicals*. . . . U.S. Government Printing Office.

School Notes

RECENT ACADEMIC SUCCESSES

The following Higher Degrees have been conferred upon students of the School :

The Degree of D.Sc. (Economics) upon S. M. Dhumé.

The Degree of M.Sc. (Economics) upon O. H. Mootham.

The Degree of Ph.D. (Economics) upon May Graham Wallas.

Eighty-seven students of the School were successful in passing Final Degree Examinations of the University at the end of the session 1925-26, in the Faculties of Economics (including Commerce), Laws and Arts. The undermentioned candidates obtained First Class Honours at the B.Sc. (Econ.) Final Examination : Constance Braithwaite (Economics), D. M. Goodfellow (Economic History), J. H. Morris (Economic History), W. J. Rasbridge (Banking), J. Rumyanek (Sociology). The following candidates were awarded Honours at the B.Com. Final Examination : M. Rich, L. A. Terry, A. G. Mellor.

SCHOLARSHIPS, STUDENTSHIPS AND PRIZES

Sir Ernest Cassel Travelling Scholarships have been awarded to the following Commerce students : Benjamin Woolf Herzl Goldbloom, Philip Alfred Ginn, B.Com., Herbert William Palmer, Richard Garnet Waller, B.Com.

A *Research Studentship on the Ratan Tata Foundation* has been awarded to Miss Winifred Utley, M.A. (Lond.), who has therefore resigned the portion of a Lindley Studentship recently awarded to her by the University.

A *Farr Medal*, given annually on the results of the Final B.Sc. (Econ.) Examination for proficiency in Statistics, has been awarded to C. M. Payne and A. E. Thexton, their performances in the Statistics papers being so much on the same level that it was thought undesirable to differentiate between them.

The *Anglo-German Academic Board* have awarded to William Lionel Kendall their Scholarship for 1926 tenable at Tübingen.

CIVIL SERVICE SUCCESSES

At the Examination for Assistant Inspectors of Taxes and Junior Assistant Auditors, held in June, 1926, eight students of the School were successful in obtaining appointments. Five other students of the School qualified in the examination but were not sufficiently high to be included in the thirty-eight appointments made.

STAFF

Professor Paul Vaucher has been re-appointed to the University Chair of Modern French History and Institutions held jointly between the School and University College.

Dr. A. D. McNair has been appointed to the University Readership in International Law tenable at the School.

The Scope of Sociology

By MORRIS GINSBERG, M.A., D.Lit.

(*Reader in Sociology in the University of London*).

SOCIOLOGY, broadly, is the study of human interactions, their conditions and consequences. Some writers would restrict its scope to the relations arising out of acts of will, but this is an unjustifiable and unworkable limitation. For, in the first place, many interactions between individuals are not consciously determined or apprehended, and, in the second place, it is one of the most interesting problems confronting the student of society to determine the respective rôles of reason or rational purpose and of impulse and the unconscious in social life.

Sociology, then, should deal with the whole tissue or web of social relationships. Since these relationships, presumably, depend upon the nature of individuals in their relations (i) to one another, (ii) to the community, (iii) to the outer environment, the ideal of sociological explanation would be attained if every social event could be traced back to its sources in the vital and psychical forces of individuals as moulded by the complex interactions which constitute the life of the community, in contact with the outer environment.

But this ideal, if generously conceived, is clearly too ambitious. The relations between human beings are infinitely delicate and varied. They are hardly likely to lend themselves to scientific treatment without a great deal of preliminary classification, and it may even prove for ever impossible to exhibit precisely the way in which the life of each individual is interwoven with the lives of others in society. Some delimitation is thus clearly necessary. How is this to be achieved?

We may, to begin with, abandon the attempt to deal with all the complex interactions of social life and confine our study to those phenomena which are widely shared by members of a community, such as language, morality, religion, or more generally, to such relations as have been embodied in recognised forms or institutions. Such institutions, it will be seen, are not themselves relations between social beings, but rather forms or modes of relationships, ultimately derived from the nature of individuals

in interaction, and in turn, moulding and determining further interaction. From this point of view sociology can be defined as the science of social institutions (in the broadest sense of that term), or as the science dealing with the *forms or modes* of social relationships as they are exhibited in the civilisation or culture of a people, understanding by culture, with Tylor, "that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society."

But here our difficulties begin over again. The various elements of culture have all been made the objects of study by special social sciences, e.g. comparative philology, ethics, jurisprudence, æsthetics, politics, economics, comparative religion. Where is the need for another social science?

There appear to be two ways of dealing with this problem, neither unfortunately free from difficulties. It may, in the first place, be held (as by Simmel)¹ that a distinction must be drawn between the form of social relationships and their content or matter. Thus, for example, the relation of sub- and super-ordination can be studied alike in the Church and State, in the family, or any other association. Similarly the relation of competition can be investigated in the field of economics, politics, the history of art or religion. We must single out the ultimate modes of relationship between human beings and study them as such in abstraction from the differing contents within which they are manifested. On this view the difference between sociology and the special sciences is not to be found in the nature of the particular sphere of social life with which they each deal. Such a basis of classification can only lead to the view of sociology as at best a summary of special studies such as those dealing with political organisation, church organisation, education and the like—an *omnium gatherum*—without any real principle or system. The difference rather is that sociology deals with the topics of all these sciences from a particular point of view, viz. that of the nature of the social relationships exhibited in them, for example competition, subordination, hierarchy, forms of the maintenance of order, types of organisation, etc., in short, all forms of interaction which constitute social life, or rather which appear in all spheres of social life. Sociology, then, differs from the special sciences not in being more comprehensive, but rather in dealing with the same topics from a special aspect, viz. the aspect which makes them social phenomena, or modes or forms of social life.

¹ Cf. his *Soziologie*.

The distinction thus drawn is no doubt legitimate, but in practice it is exposed to all the dangers familiar in philosophical speculation whenever a distinction has been made between form and matter. The separation tends to be made too sharply, as for example when some formal logicians have thought that it is possible in Logic to abstract entirely from the matter of thought or from what one is thinking about and still find general principles or forms in accordance with which all thought whatsoever takes place. Critics of this school of logic have pointed out that this is strictly an impracticable task since the form of thought is modified according to the matter in which it appears. Attention to forms to the exclusion of matter is apt to lead to bare and empty generalities. The tendency to excessive formalisation is already to be detected in some of the members of this school of sociology, some of whom have drawn up possible lists of human relationships not based upon inductive comparison and generalisation, but on armchair philosophising. Apart from these general difficulties, moreover, this view of sociology is open to two others. In the first place, it may easily come to regard certain forms of social relationship as involved in the nature of society or association as such, whereas in truth they may be the result of special causes, historical and psychological, or arise out of specific human interests. Whether this be so or not, it is impossible to decide without attention to the matter or content of the relationship in the different forms in which it appears. Are the poor, for example, to be always with us? Do they arise necessarily out of the formal relation between individuals, or are they the result of special causes historically determined?

In the second place, confusion may arise from a tendency too readily to assume that what appears to be the same relationship appearing in different contexts is due to identical causes. For example, there is a relation of subordination in the family, in the trade union, and the various forms of the state, but the nature of the subordination may be really quite different in the different cases and be due to quite different causes, psychological and other. Here again the question cannot be solved by a study of the purely formal character of the relation of subordination without giving attention to the members between whom the relationship holds in the different cases.

In mitigation of these difficulties, however, the analogy of logic may be appealed to. It may be granted in the case of this latter science that the forms of thought cannot be effectively studied apart from the particular sort of matter about which we

think, yet logic is undoubtedly formal in the sense that it is not interested in the variety of the things we think about for their own sake, but only for the sake of discovering the forms involved in our thinking of them. So in sociology, it may be held that though the forms of social relationship cannot profitably be studied in complete abstraction from their contents, yet the sociologist is only interested in the latter for the sake of the light they throw upon the nature of society as such, i.e. the sum of social relationships. If the classification of social relationships is carried out inductively, and their conditions and consequences in each case carefully studied, it is urged this method of sociological inquiry should lead to fruitful results. So far, however, very little has been done in this direction.

The other and the more generally accepted way of delimiting the sphere of sociology in relation to the special social sciences is by reference not to form, but to content. Human activities can be marked out in certain series which possess relative independence and which can be conveniently and fruitfully studied apart from their relations to other activities and functions. Thus, for example, there arise the special sciences of economics, politics, jurisprudence, pedagogics and the like, each of which is concerned with some special aspect or function of social life. A study of these special sciences shows that they have almost invariably tended to pass beyond their proper boundaries into the field of wider social activities. The reason for this is easy to see. Social activities are parts of an organic whole and it is impossible either in theory or practice to understand the condition of a society in any one respect without taking into consideration its condition in all other respects. Moreover, social functions overlap and are difficult to classify. Thus, for example, economic satisfactions cannot be sharply divided off from non-economic satisfactions and therefore the boundaries of economics must be more or less indefinite. For purposes of scientific investigation, however, suitable lines of demarcation are found, as for example, when Pigou defines economics as the science which deals with that part of social welfare that can be brought directly or indirectly into relation with the measuring rod of money. Strictly the causal propositions laying down the conditions upon which economic welfare depends must be regarded as claiming to be true subject to the condition that things outside the economic sphere remain constant. It is undoubtedly of the greatest importance from the point of view of scientific method to make the abstractions thus rendered necessary and the history of

science shows that progress depends largely upon such analytic procedure. Similar remarks apply to other special social sciences. But it is equally important to recognise that each of these sciences is abstract in character, and that the conclusions of each must be corrected so as to make allowance for interfering factors which fall outside its own special field of study. Again, to take the case of economics once more, the conditions which determine economic welfare are to a great extent influenced by the general state of society at any given time, and in turn react upon social life as a whole. In relation to economics we may therefore say there is need for a wider social science which will (i) correct the abstractions it necessarily makes in the light of knowledge derived from other social sciences, (ii) consider the effects of economic processes upon the wider social life, (iii) consider the influence of social life and structure as a whole upon economic conditions. *Mutatis mutandis* this may be said also of the other special social sciences, and thus we arrive at a general description of sociology as the science which deals with social life as a whole in contradistinction from the special sciences which deal with special aspects of human life. More clearly perhaps we may say that sociology (i) deals with the broader conditions of social life which because of their generality do not come within the scope of the special social sciences, and (ii) brings together the results of the specialisms making the adjustments which are required, in view of the fact that the parts of the social life with which they severally deal are of varying importance in determining the life of society viewed as a whole.

There are thus two divergent ways of interpreting the relation between sociology and the special social sciences. The one, exemplified by Simmel and his followers, would regard sociology as a specialism among other specialisms whose object is to discover the ultimate forms of social relationships as such, while the other regards sociology as an attempt at a synthetic view of the social life utilising the results of the various social sciences, but interpreting them in the light of the broader principles of social organisation which often escape the specialist. The former school do not, it seems to me, sufficiently realise that in a sense all sciences are formal, in the sense, namely, that each deals with what is common to different individuals, or with the general forms exemplified in different materials. The distinction between form and matter must in other words be made within each of the special sciences, and the difference between them and sociology should be expressed by saying that while the former deal with

special forms, the latter deals with more general forms. Now in each of the social sciences if developed along realistic lines, it is extremely difficult, as we have seen, to separate form from matter at all clearly. This is due to the extreme complexity of the relations with which they deal. In economics, for instance, "we are in the position in which the physicist would be if tin attracted iron in the inverse ratio of the cube of its distance, lead in that of the square of its distance, and copper in some other ratio. We cannot say, as he can of his attractions, that the amount offered or required of every several commodity is one and the same specified function of the price. All that we can say in this general way is that it is some one of a specified large family of functions of the price. Hence in Economics, there is not, as in Dynamics, one fundamental law of general application, but a great number of laws, all expressible, as it were, in equations of similar form, but with different constants." (Pigou, *Economics of Welfare*, p. 9.) Similar remarks apply to other social sciences. It is clear that even in these sciences the matter affects the form to a degree which makes their undue separation extremely dangerous. This danger must surely be enhanced as we ascend in generality and abstraction towards sociology conceived as a special science of forms of social relationships. I doubt, therefore, whether sociology in this sense can ever be an independent science. It may have use as one method among others, but its conclusions will always have to be tested by appeal to the concrete facts of social life, and this surely necessitates a sociology in the second sense, which seeks to interpret social life as a concrete whole.¹

I shall return later to the question of the nature and possibilities of such a comprehensive interpretation. Meanwhile attention must be drawn to certain topics of investigation which by general consent fall within the scope of sociology. These include the various forms of social groupings, such as crowds, sects, social

¹ In a recent work, *The Science and Method of Politics* (Kegan, Paul, 1927, pp. xii + 360, 12s. 6d.), Dr. Catlin defines Politics as the science which deals with "the relations of individuals to each other in society, regarded in respect of the relationship itself." This corresponds pretty closely to the view of sociology here criticised. Leaving aside the verbal question as to whether this general science should be called Politics or Sociology, we may note that Dr. Catlin's view seems exposed to the difficulties raised above in reference to sociology and to two others peculiar to his own method of treatment. He intensifies the abstract character of the inquiry, in the first place, by limiting his analysis to one type of social relationship, namely, that which arises out of the domination of one will by another, and in the second place, by proceeding on the assumption that this one type of relationship is determined by a single motive, the will to power, or more accurately, the striving to avoid or assert control. Such very abstract procedure can hardly conduce to fruitful results in social inquiry.

classes, tribes, clans, nations, races and the large variety of institutions and the modes and methods of organisation by which they are maintained and developed. It is true that in the study of these, many specialisms have developed, such as, for example, ethnology, which deals with the physical and mental characters of races, their origin and distribution, or political science, which, in one of its aspects, deals with forms of governmental administration. But these fall within the sociological field and may be regarded as specialisms within it.¹ The importance of the study of the nature and conditions of social groupings is surely obvious. It is, for example, of enormous consequence to discover under what conditions the social entity we call a "nation" arises. Yet very few really scientific studies of this question have so far been made, though there are signs that the need for inductive studies on a large scale is being gradually recognised. (Cf. S. R. Steinmetz, *Die Nationalitäten in Europa*, 1927.) Similarly social classes both admit of and require study on the basis of wide inductive and comparative surveys. Here again only beginnings have as yet been made. (Cf. especially Fahlbeck, *Die Klassen und die Gesellschaft*, 1922.) In other spheres of social life greater progress has been achieved, as, for example, in the comprehensive studies made by Prof. Westermarck on marriage and the family.²

But while the importance of the comparative study of social institutions will be admitted by most students of society, yet many will doubt whether the time has yet arrived for the scientific study of the inter-relations between them and for the formulation of theories regarding the nature of society as a whole. As to these doubts, which the facile generalisations and extravagant claims made by some sociologists justly provoke, several things have to be said. In the first place, the special scientist does not, and cannot, really abandon the problem of the inter-relations referred to above. The realistically inclined economist, for example, must take into consideration the relations both in the way of cause and effect between economic factors and such things as the class spirit, national sentiment, race prejudice, the general position of women and the like, but there being no body of systematic doctrine on these matters, his procedure is frequently amateurish and unbalanced. Another illustration may be given from the history of science, which is much in need of sociological treatment. The specialist is rarely in the position

¹ Similarly anthropology on its cultural and social side may be described as the sociology of the simpler peoples.

² On the sociology of religion reference may be made to the works of Max Weber, Troeltsch and Tawney.

to estimate fairly the relation between the growth of his own science and branches of thought rather remote from his training and experience and still less between it and the wider aspects of social life. But generalisations on these subjects are extremely common, while the evidence upon which they rest is generally slight and often not given at all. Is there not therefore a good case for the necessity of a systematic treatment of the sociological conditions of science and conversely of the effects of science upon the life of communities? ¹

At this point the opponent of sociology may urge that while he is prepared to admit the importance of the study of social institutions in given areas or periods and even the desirability of intensive study of the inter-relations between them, he yet doubts the possibility of a single comprehensive science of human society as a whole claiming to formulate the general laws of its evolution or development. This attitude is now extremely common among anthropologists and historians. To some extent it is the result of a natural reaction against the too ambitious schemes of social evolution formulated, often on data inadequate both quantitatively and qualitatively, by some of the earlier sociologists. In part, also, this attitude is a form of the widely felt scepticism with regard to many aspects of the theory of biological evolution and the consequent demand to turn from morphology to physiology and to abandon the study of origins in favour of the careful analysis of process and function. That there are elements of value in this sceptical movement must be conceded. It rightly insists on the need of caution in the use of anthropological data which are inevitably of very unequal evidentiary value and in the application of common categories to peoples differing widely in the scale of civilisation. It is also on sound lines when it stresses the difficulties of comparing the

¹ An extremely interesting illustration of such a sociological treatment of science is to be found in Prof. Whitehead's *Science and the Modern World* (see Ch. I: The Origins of Modern Science), where he traces the various factors which throughout the middle ages prepared the intellect of Western Europe for the acceptance of the notion of orderliness in nature, for the belief in the scrutability of nature and for the interest in natural objects and occurrences for their own sake. Some of his views, however, need a great deal more justification than his short discussion provides. For example, he asserts that the deep-seated belief that every occurrence can be correlated with its antecedents in accordance with general principles, which dominates the minds of European scientists, has its main origin in the medieval insistence on the rationality of God, in contrast with the Asiatic view of God as either arbitrary or impersonal. Is this really warranted by the available evidence or a mere guess? *Prima facie* one would have thought Buddhistic metaphysics more sympathetic to the notion of law in nature, and again that in Western Europe the notion of a necessary natural order is more likely to have arisen by way of reaction to that of a personal God ruling by the fiat of his will than as an unconscious and natural derivative from it.

institutions of a given area with the "similar" institutions of other areas, on the ground that each area is a unity, having a peculiar self-identity, with the result that the nature of institutions is distorted when they are studied apart from the culture-complex to which they belong. At the same time there is a certain lack of proportion in the attacks now so frequently made upon what is called "evolutionary" sociology. A number of rather different issues is involved which it is important to disentangle. In the first place the objection to evolutionary sociology is often interpreted as implying a condemnation of the use of the comparative method. This is due to a confusion easy enough to account for historically. The earlier sociologists in their eagerness to trace the stages or phases through which society has passed brought together data from all parts of the world and all periods of time without giving sufficient attention to the reliability of their data and without discriminating adequately between superficial similarities in cultural traits and genuine identities. The discredit brought upon these earlier schemes of social evolution as a result of the more careful and intensive analyses of recent anthropology is held, perhaps not unnaturally, to throw doubt upon the value of the comparative method in general, and upon the possibility of what may be called a social morphology. But it is important to recognise, to begin with, that the comparative method as such is not in the least committed to the theory of evolution. It is in essence nothing but an application of a general principle of methodology to vary the conditions of a phenomenon under investigation with the object of eliminating irrelevancies and the discovery of essentials. When applied to the study of social facts this involves the use of data from various periods of time and from the life of different peoples. The primary object is the attainment of a classification of cultural phenomena and the establishment of a social morphology which would facilitate the discovery of empirical generalisations and perhaps eventually of more ultimate laws. But morphological classification has, as such, nothing to do with the problem of the chronological order in which the varied types arise. It should be remembered that in general biology, too, taxonomy has nothing to do with the tracing of phylogeny, though, of course, if the taxonomic tree can be shown to coincide with the phylogenetic tree, that constitutes a striking piece of evidence in support of the theory of evolution. In sociology likewise the tracing of the line of evolution constitutes a problem additional to that of morphological classification.

It must in the next place be noted that the critics of the comparative method in sociology do not, in fact, themselves dispense with the use of it in their own work. The method used by some of the "Diffusionists" consists in tracing combinations of similar cultural elements in different parts of the world and at different periods of time, and this cannot be done without the use of the comparative method. Again, when Dr. Goldenweiser, who makes much of the weaknesses of the comparative method, wishes to criticise Dr. Rivers's explanation of the secrecy, multiplicity and graded character of the religious societies of Mota Island as due to culture mixture, he appeals to the religious associations of other areas, such as those of West Africa or North America, which exhibit the same combinations of traits in conditions which preclude culture mixture.¹ It seems clear that even in the intensive study of any area comparative material must not be disregarded. When it is disentangled from the wider issue of the value of the evolutionary hypothesis in sociology, the point of substance that remains in the attack on the comparative method is the need of more intensive studies of local areas and of greater caution in the tracing of similarities and differences in cultural phenomena.

We may next consider the larger problem of what has been described as the "downfall of evolutionism." (Cf. Boas, *Rasse und Kultur*; Lowie, *Primitive Society*; Goldenweiser, *Early Civilisation and Cultural Anthropology*). Here again several rather different issues are involved. To begin with, these and other writers seem to have made good their case against what may be described as the theory of unilinear social evolution, that is the theory that all people have passed through a sequence of stages more or less in the same order. Detailed and more accurate data than were available to the earlier writers have proved that some of the alleged primitive stages, for example, promiscuity, were mythical and based upon nothing better than the desire to find an undifferentiated horde out of which later forms of social organisation were to emerge in accordance with the requirements of evolutionary theory. In regard to many features of social life, such as forms of property, methods of reckoning descent, the development of art, material culture and religion, again, it was urged that they could not, either taken singly or in combination, be pressed into any regular scheme of chronological sequences. The singularity and complexity of

¹ See his chapter on "Cultural Anthropology" in *History and Prospects of the Social Sciences*, edited by H. E. Barnes (Knopf, 1927, pp. xxi + 534 21s.).

cultural phenomena were shown to be incompatible with the view of uniformity in social development. The prevalence of diffusion, moreover, is fatal to the theory of a regular sequence of stages, since, obviously, by borrowing and the appropriation of alien ideas leaps can be made by any one people without passing through the intermediate stages. On the ground of these and similar arguments the downfall of evolutionism is triumphantly proclaimed. But though they dispose of unilinear evolution, can these arguments be held to be equally fatal to the whole idea of evolution in sociology? Clearly not. It should firstly be noted that the issue is misrepresented when it is put in the form of a contrast between "diffusion" and "evolution." For, if by evolution is meant the theory of descent with modification from a common source, the believer in the diffusion of culture from a single centre would be the evolutionist par excellence. The problem of independent growth as against development from a single source is analogous to the problem of monogenesis and polygenesis in biology, and is therefore a subsidiary question within the general framework of evolution and not one between it and some other theory. Secondly, are not the critics of social evolution unreasonable in expecting to find absolute uniformity in development? Ought we not rather even on the analogy of biological evolution to expect endless variety and complexity, especially if it be remembered that in sociology we are not dealing with a single development, but with a large number of different developments, partly divergent and partly interconnected? The believer in evolution need not and does not now maintain that development is always in a single line, and he admits the great difficulty of finding criteria for comparing different civilisations. Yet he believes that on the whole there is continuity in the history of civilisation and he seeks to determine the forces which determine its growth. In tracing development the notion of stages of culture is by no means without value,¹ though it must not be interpreted chronologically and is in practice often extremely difficult to apply.² Thirdly, it may be remarked that many of the arguments of the "anti-evolutionists" are

¹ Cf. the important article of E. Troeltsch, *Der Aufbau der europäischen Kulturgeschichte*, in Schmoller's *Jahrbuch*, Bd. XLIV, where he defends the notion of "Universalgeschichte als Soziologie."

² Reference should be made in this connection to the work of Professor Hobhouse, especially his *Social Development*; E. Troeltsch, *Dynamik der Geschichte nach der Geschichtsphilosophie des Positivismus*, in *Beiheft der Kantstudien*, 1919; Breysig, *Stufenbau und Gesetze der Weltgeschichte*, and *Kulturgeschichte der Neuzeit*; cf. also the works of Lamprecht and Schmoller, Vierkandt and Max Weber.

relevant only as against the theory of inevitable or necessary progress. But here they are attacking a man of straw. The distinction between evolution and progress is now generally accepted and it is recognised that the problem of tracing the actual course of social development is distinct from that of its ethical valuation.

In sum, the notion of development has by no means yet lost its relevance and importance in the study of sociology, though, of course, it must not be assumed that the theory of social development must necessarily take the form familiar in biology, or that the forces operating in it are merely biological in character. Without in any way prejudging the ultimate issue we may say, then, that the object of sociology is :

1. To determine the nature or character of the various forms of social groupings and the institutions by which they are regulated and maintained, and to trace the line of their growth or development.
2. To determine, by means of the comparative method and, as far as possible, by the use of quantitative measurement, the inter-relations between institutions and the degree of correlated growth. In this connection the phenomena of diffusion and contact are of the greatest importance.
3. To formulate empirical generalisations or laws of such growth.
4. To interpret these laws in the light of the more ultimate laws of life and mind.

In carrying out this ambitious programme the sociologist must of course avail himself of the results of many specialisms, both in the social field and in other fields of inquiry. His object throughout is to determine the relation of social facts to civilisation as a whole and this involves a vast amount of preliminary description, comparison and correlating of results which cannot be achieved by the special sciences as such.

The relation between sociology and the special sciences should be clear from the above arguments. Special problems arise, however, as to its relation to biology, psychology and philosophy which are extremely difficult and perplexing and have occasioned much controversy. To discuss them fully would require a volume. Here they can only be dealt with in outline and, it is feared, in somewhat dogmatic fashion.

Biological factors are clearly of importance to the student of society, since the unit of society is a living organism. Great confusion has, however, resulted from the too facile application

of biological categories to social facts and, in particular, a tendency to over-emphasise the purely racial factors in social evolution or change. It has too often been forgotten that social facts are in a sense *sui generis*, or at any rate involve the operation of forces, psychological and social, which profoundly modify the effects of the purely biological forces. Provided he eschew vague analogies and the tendency to mistake the part for the whole, the biologist, none the less, may have much to contribute to a scientific sociology. At present the most profitable lines of inquiry for the biological sociologist would seem to be in the following directions :

1. To determine the effect of individual innate differences in mental and physical characters upon the constitution of social groupings, such as classes, nations, and the like and upon the working of social institutions generally.
2. To determine the converse operation of social institutions, by way of social selection and in other ways, upon the biological constitution of groups.
3. To study the effects of race or group contact and mixture upon society.
4. To ascertain and measure the intensity of the selective forces operating on man in society and the possibilities of controlling or modifying them by agencies under social control.

The relations between psychology and sociology are extremely close and intimate. It is clear that social facts, whatever else they may rest upon, imply relations between minds. Neither the relations of antagonism or opposition, nor those of co-operation and mutual effort, are intelligible apart from reference to instinct, desires and purposes. Society is essentially a psychical structure and to understand its nature we must know the laws of interaction between human minds. On the other hand, a great deal of general psychology is social psychology. Modern psychology has brought out clearly the important part played by inter-subjective intercourse in moulding even the most elementary psychical functions and the higher mental processes are permeated through and through by environing social factors. It is accordingly not surprising that there is considerable overlapping between the two sciences. Nevertheless the point of view of the psychologist and his ultimate object differ from those of the sociologist. The former is primarily interested in the nature of mental process and he uses the data of social life to the extent to which they help him in describing the operations of the mind and the conditions of its development. The sociologist is interested not in mind as such, but rather in the part it plays in determining the

nature and genesis of social phenomena and he recognises that these latter, though they have a psychological basis, cannot be understood in terms of psychology alone. A phenomenon like war, for example, cannot be accounted for in exclusively psychological terms. It depends also upon historical and geographical conditions, the further analysis of which renders necessary an appeal to the laws of the physical and biological sciences in so far as they bear upon human beings in interaction. In a sense social facts are, as the French sociologists especially emphasise, *sui generis* and must be interpreted primarily in terms of social fact. But this does not mean, as is sometimes thought, that the mental processes involved in social phenomena are supra-individual, or that sociology is concerned with a group mind differing in kind from the minds of individuals. The psychical elements involved are those of individual minds in interaction with one another, with the tradition of material and spiritual culture which they build up, and with the physical environment. In so far as society is supra-individual it is not a mind, nor a sum or resultant of minds, but a relational complex of a distinctive kind. In so far, however, as it does contain mental elements, it must be interpreted in terms of what we know of the individual mind.¹

We may now indicate the main lines of investigation which fall within the sphere of social psychology. In general it seeks to determine the nature of the psychological conditions of social life. Thus it deals with the means and methods of intersubjective intercourse, such as intuition of other persons, suggestion, imitation and sympathy, the elements in the human mind leading to co-operation and antagonism, leadership, domination and submission, the part played by impulses, ideas and rational purposes in social life, the degree to which social development is or can be controlled by rational will. In its more special aspects, it deals with the psychological characteristics of social groups, such as races, nations, classes, occupations and the like, with the effects of these social formations upon the mentality of the individuals constituting them, and with the results of contact between groups. Progress in these more special aspects of social psychology is not very rapid, but there are signs that the need of inductive studies on a large scale is coming to be widely realised.

The relation between sociology and philosophy can be best approached, perhaps, by considering the way in which philosophy

¹ For a discussion of some further objections to the use of psychological explanation in sociology, see my article, "The Sociological Work of the late Dr. Rivers," in *Psyche*, July, 1924.

is related to other special sciences. In the first place, philosophy aims at providing a critical methodology for the special sciences ; in other words, it seeks to disentangle the fundamental categories or principles which they employ, the assumptions, postulates or pre-suppositions upon which they rest, and to subject them to critical scrutiny and constructive re-interpretation. In the second place, on its more constructive side, philosophy seeks to correct the abstractions which the special sciences are, from the nature of their method, compelled to make and thus to present a more concrete or synoptic interpretation of reality, considered as a whole, or in its ultimate nature. In the third place, philosophy lays particular emphasis upon the consideration of the element of value in the universe, more particularly from the point of view of man's place in it. These three functions are clearly of the greatest importance in reference to the social sciences. They are, firstly, in need of a critical methodology or epistemology whose object it would be to criticise the categories employed by them and to inquire into the validity of their fundamental postulates. It is even arguable that the social sciences are at present in greater need of a logic than other special sciences. Secondly, in so far as the philosopher aims at a complete synthesis of all knowledge, he must of course take into consideration the results of the social sciences, especially if they ever come to be systematised by a comprehensive sociology. Indeed, these results are of especial interest to him, since, as we have seen, philosophy lays special stress on the problem of man's place in the universe. Finally, perhaps the most important function of the social philosopher is to apply his criteria of value to the facts of social life and change, to inquire into the ethical validity of social and political ideals as distinguished from their sociological possibility. A complete view of society would thus imply a science of sociology dealing with the facts of social life (including the psychology and history of ideals in so far as they act as agents influencing social behaviour) and a social philosophy which would estimate their goodness or rightness in the light of ethical theory.

Friedrich von Wieser, 1851-1926

By HENRY HIGGS.

THE last great representative of what Marshall calls "the brilliant Austrian School" passed away with the death of Wieser at Brunnwinkel, Salzkammergut, on July 23rd, 1926. Less than a year before he wrote for the new edition of *Palgrave's Dictionary* an article on *The Austrian School*, in the first draft of which he stated that the School was founded by Carl Menger in 1871, with the publication of his celebrated *Grundsätze*, and (in effect) that the school was completed by Böhm-Bawerk and Wieser, whose contributions he passed in review in an impersonal fashion. It was not without some difficulty that he was persuaded to say something in his finished article about other economists of Austrian nationality. With the exception of Smart, British economists generally have hardly appreciated the high place which Wieser occupies in the history of economic thought. Pantaleoni and others have familiarised us with the phrase Wieser's Law. Professor Wesley C. Mitchell, in a lucid and laudatory article in the *Political Science Quarterly* in 1917, expresses the opinion that in the literature of the Austrian School Wieser's Social Economy merits the place held by Mill's *Political Economy* in the literature of the classical school. Some of us may think this but faint praise, and, while concurring in the tribute to his vigour and independence, hold that his innovations were more original and durable than those which can be claimed for Mill. In Germany and other countries Wieser stands upon a high pedestal. His claim to have invented the expression "marginal utility" (*Grenznützen*) is generally conceded. Its superiority over Jevons's "final" and "terminal" utility is, however, little more than verbal. The ideas implied are essentially the same.

Wieser was born in Vienna on July 10th, 1851. His father was a Privy Councillor and Vice-President of the Court of Accounts and Friedrich was destined to enter into the finance department of the Austrian Government. While still at school he aspired to write history, but soon perceived that the economic strands in the web of history were so important that, in order to

write good history, a study of economics was essential. The commercial crisis of 1867 made a deep impression upon him and confirmed this view. He entered the University of Vienna in 1868 and attended the lectures of Stein, but, according to his own account, derived little advantage from them. He entered the Finance Department, according to plan, after leaving the University in 1872. In that year he and Böhm-Bawerk, who, as Wieser says, "were united in a community of studies and an unbroken friendship which dated back to the first form of the Gymnasium," came across Menger's book, which was destined to influence them so greatly. To Wieser it now seemed clear that history depends on economics and economics on value, and for half a century he applied his mind with unwearying patience to the study of value. As part of their training the young friends were granted an official travelling allowance in 1875-6 in order to visit German Universities and to study under Knies at Heidelberg, Roscher at Leipzig, and Hildebrand at Jena. In the seminar of Knies Wieser worked out a thesis on the relation between cost and value, while Böhm-Bawerk chose the theory of capital. My personal recollections of Knies convince me that he watered these young plants with tender care. They were so successful that their allowance was continued for another year, and Wieser then returned to serve for seven years in the Ministry of Finance of Lower Austria.

In 1884 appeared Wieser's *Ursprung und Hauptgesetze des wirtschaftlichen Wertes*, Vienna. Menger wrote a highly commendatory review of it and invited the author to Prague, where he became a Professor Extraordinary. In 1889 Wieser published his second work, *Der natürliche Wert*, and the same year was appointed ordinary Professor at Prague. This work, translated into English, was edited with a preface and analysis by Smart, under the title *Natural Value*, 1893. In 1903 Wieser was called to the chair of Economics at Vienna. A few weeks before the war appeared his *Theorie der gesellschaftlichen Sozialökonomik*, in the encyclopædic *Grundriss der Sozialökonomik*, Tübingen. The selection of Wieser for this task testifies to his high reputation in Germany. In 1917 he entered the Austrian Higher Chamber and served as Minister of Commerce in the administrations of Seidler and Lammasch. In 1919 he returned to his University chair and was head of the economic faculty till 1922, when he became Emeritus and honorary Professor. At the time of his death a *Festschrift* was being prepared in his honour by leading economists of all countries and had been so far completed that

his last days were spent in reading the contributions. The first of the two volumes is announced to appear immediately.

Apart from the translation of his *Natural Value*, English readers may be referred to an article by Wieser in the *Economic Journal* in 1891 and to his articles on *The Austrian School* and on *Böhm-Bawerk* in *Palgrave's Dictionary*. In *The Austrian School* he embodies what may be called his scientific autobiography and enlarges upon the special contributions which he made to the theory of economics. His advances upon Menger are noteworthy. Professor Schumpeter considers that Wieser created a new atmosphere in economics. Professor Mitchell derives from his writings the impression that Wieser led a deeply introspective life, concentrating his mind upon the study of the marginal theory in all its implications. In fact, however, Wieser was a man of wide interests, deeply interested in art, music, and all forms of culture. Professor von Hayek, to whose reminiscences in Conrad's *Jahrbuch*, 1926, I am indebted in this notice, says that his students will never forget his impressive personality, and considers his most brilliant work to be his historical essay on the end of Austria, *Oesterreichs Ende*, Berlin, 1919. Detached observers may come to the conclusion that he cultivated a somewhat narrow plot of the economic field, but worked upon it with great intensity and ability. He constantly passed and re-passed his views through the crucible of self-criticism.

What those views were may be briefly indicated from his treatise of 1914. Starting with the conception of the single economy, he predicates something like an economic man whose ideas of value are self-determined without the influence of markets or competition. Even Crusoe has to consider what a thing is worth to him, whether it is "worth while," or whether something else is better "worth while," acquiring. The next step is to introduce society and social relations, barter, markets, money prices, and competitive, monopolistic, and monopoloidal conditions. Here we pass from the single valuing subject to many valuing subjects, each supposed to be pursuing his self-interest and untrammelled by the state. A third step brings us to state intervention and a policy of the state limiting and regulating competition. Lastly, we suppose the existence and inter-relation of various states, giving rise to new problems. These must not be regarded as Wieser's words, but rather as an independent paraphrase and summary version of his method, starting with simplified and unreal hypothesis and gradually spreading out to actuality. We may compare with it Cournot's device of starting with monopoly

and gradually introducing doses of competition until we come to pure competition ; or the more usual plan of starting with pure competition and introducing friction by gradual progress until we come to monopoly. But the apparatus of argument by which Wieser supports his progression is often highly abstract and sometimes diverges into rather fine spun metaphysics. The late Lord Bryce was fond of telling how he took Professor Dicey to the kirk after a long walk over ploughed fields and of being roused from sleep during the discourse by a loud protest of Dicey against some strong pulpit utterance: " Oh! Come! Come! " This is the attitude of some English readers of Wieser. Even if they cannot follow the reasoning well enough to point out a fallacy, they instinctively rebel against some of his conclusions as incongruous with common experience and common-sense. My old friend Professor Edgeworth was to the last very touchy about the scepticism with which less distinguished economists received his proposition that a tax on first-class railway tickets might result in a reduction both of first and third-class fares, the second-class no longer existing.

As reference has been made to Wieser's Law, a few words may be added by way of explanation. Wieser contended that if we take a finished commodity we may find the value of the separate components by employing the device of marginal productivity and imputing to each component that part of the marginal utility of the finished article which the last additional unit of the component in question has added to the total. The marginal utility imputed to each constituent is " derived " from the marginal utility of the finished product and is not to be determined apart from it. I agree with Professor Birck of Copenhagen in doubting the utility and reality of this conception. The curious may refer to Professor Birck's elaborate argument on p. 320 of his *Theory of Marginal Value*. For my part it may suffice to say that if the Law asserts the total value to be the sum of the values of the embodied components and of their incorporation it is a truism, and that if it asserts anything else it is not true. To unravel a cobweb is to get into a sticky mess, ending in failure. The only thing to do with it is to apply to it the brutal brush of the humble housemaid.

Many of the differences upon which Wieser plumed himself are set out in his article on *The Austrian School*. For some of them, and not the least important, he makes out a good case. In others he appears to make much ado about nothing. He quarrels with the younger men in Austria, for example, because

they oppose the subjective starting-point of his doctrine. " They fear the objection that the psychological basis endangers the certainty of the result. The founders of the school, however, never employ principles taken from scientific psychology. The law of satiation of wants, which is chiefly in question, they have taken from general economic experience, and the development of their doctrine is purely empirical." Does it really matter to the working economist whether the law is taken from general economic or general psychologic experience so long as it is true? There is surely no reason why " economic experience " should not be psychological at the same time.

There are big things in Wieser as well as little things. Ungracious as it may seem to touch upon the latter in an obituary notice, I have done so because I believe them to count for much in the comparative neglect of his writings in this country. We are prone to look to others, to Smart, Marshall, Wicksteed and Bonar to give us what is worth absorbing in his doctrine. But it would be a mistake to regard him as a mere disciple of Menger or a pale reflection of Jevons. In many ways he went beyond them both. Nobody's mind has yet played, like his, upon the theory of marginal utility with all that it involves for half a century. The prediction may be hazarded that no one in the future will worry so much or so long over this single topic. With still greater confidence it may be asserted that he will always hold a distinguished place in the history of economic thought.

Anthropology in Colonial Administration¹

By J. H. DRIBERG, M.A.,

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BEFORE discussing in detail one or two aspects of culture in which the lack of anthropological knowledge has detracted from the efficiency of administrative methods, I wish with your permission to say a few words on the general relationship between Colonial governments and anthropology. While anthropology is a science—though the Cinderella of sciences—it is a science capable of the widest application. It is not the pastime of arm-chair theorists unrelated to the world in which we live: it does not haunt the dim and murky recesses of the past, but is a present, living and very relevant issue. But its very vividness, its actuality and its rich potentialities are one of its inherent dangers: these undoubted assets are apt to imperil its scientific position. The intimate study of primitive races now living and functioning in a world which is, to say the least, embarrassed by their existence, begets an attitude of sympathy and evokes emotions more suitable to a humanitarian than to a scientist. This is not to say that the scientist should not be a humanitarian. As one who has worked among primitives, I know what depths of emotion can be roused by their attractiveness, by the sincerity of their outlook, by their aptitude for friendship, their loyalty, good temper and probity: and I count myself fortunate in numbering many Africans as my friends. But with all this I am not blind to the difficulties of the position. Humanitarian enthusiasm, whether based on theory or on personal contact, is not sufficient; and humanitarian enthusiasm has no part in the science of anthropology. Such an alliance would be essentiallymorganatic, and one who is both a humanitarian and an anthropologist—and this applies to most of us—must be ever awake to the dangers which follow a confusion of his humanitarian emotions and his scientific attitude.

¹ A paper read before the Anthropological Society at the London School of Economics on December 9th, 1926.

As anthropologists we study primitives as they are and, to a lesser extent, as they were. We are able to understand their social organisation and to unravel the economic structure of their society: their mental attitude, their religious beliefs, their reaction to environment, these are all capable of our analysis; but when we have done this, we have done all that theoretical science requires. The application of this science is another matter. This the anthropologist must leave to the various colonial administrations. "Policy" is not for him: that is the function of those who are in a position of authority over the primitives or of those humanitarians who are able to influence colonial governments.

The anthropologist does not attempt to formulate a policy of government, not because he is unable to do so, but because any policy based on the results of anthropological investigation alone, if logically and scientifically conceived, must be unrelated to reality. Such an abstract policy would necessarily demand that native institutions should be left entirely untouched and that native tribes should be granted absolute autonomy such as existed in the period before European or other intervention. It would mean the complete evacuation of Africa, to take only one area, by all the protecting powers and the withdrawal of all non-African elements and all alien economic enterprise. This is a crude and very extreme presentation of the position in theory, but it serves to illustrate my contention that the strictly scientific standpoint of any anthropological policy would of necessity be divorced from actuality. Non-intervention, though to many it may be a desirable ideal, is no longer a practical policy. Whatever our personal ideas are, we have to deal with facts as they are and not as they might have been. We must concentrate on the needs of the present and of the future, and not chase the phantom of a vanished past.

But this is far from saying that anthropology has no practical value. Its value cannot be overestimated and has been expressed in better words than mine by the present Under-Secretary of State for the Colonies, who writes: "If we are to succeed in our duties towards these peoples, as rulers, as missionaries or as instruments for the advancement of civilisation we must study them objectively and base our policy on real understanding acquired not only from personal contact but from scientific study of their mental and moral characteristics, of native law and custom, of native history, language and traditions. Native methods of agriculture, native arts and crafts, should be examined scien-

tifically before any attempt is made to supersede what we find existing. Herein lies the importance of anthropological work, an importance which it is difficult to overestimate."¹

Anthropology does not formulate a policy: that is the work of the Government. But anthropology is at the disposal of the Government. It provides the material on which governmental policy should be based. The results of scientific anthropological research enable the government to formulate a policy which has a reasonable chance of success with the minimum of friction: and where the knowledge is available there is no necessity to impose a policy alien in conception and unsympathetic in application, such as might result from an uninformed application of our own political and moral systems. Anthropology for instance does not and cannot decide pragmatically on the respective merits of, for example, direct and indirect rule or on the policy of native reserves: what anthropology does is to demonstrate that applied to this or that culture direct rule would be followed by certain results and indirect rule by other equally definite results; that segregation in native reserves must have some inevitable sociological or biological consequences; and so on.

The functions of anthropology then are two-fold—first, the provision of material on which policies can be framed—an advisory capacity. Anthropology is the consulting physician to colonial governments, and properly utilised can be of the greatest service in every branch of governmental activity, whether it be in the sphere of political organisation, economics, labour, law or religion.

In addition to this, and following from this, anthropology reserves to herself the right of criticism, a right which no one can deny her who has good government at heart and who assumes, as we must all assume, that the interests of the subject tribes are paramount in the policies of colonial governments. This duty of a sacred trust has been so frequently and emphatically enunciated from high places that none but the most sceptical can doubt that it is the basic principle in all policies and none but the most purblind can but be gratified if criticism can reveal any existing defects. And defects there must inevitably be, some of which (as I shall indicate) are ineradicable and inherent in any form of alien domination, while others can be remedied and are due, not to ill-will, but to ignorance of the data which anthropology alone can provide. In the criticisms which I have to make, therefore, I

¹ Report by the Under-Secretary of State for the Colonies on his visit to West Africa in 1926.

wish to emphasise that they are made, not in any carping spirit, not merely for the sake of the almost universal pleasure which is derived from teaching others their own business, but to demonstrate certain errors in administrative detail which are due to ignorance of anthropological facts and from which a knowledge of these facts would have saved our administrators. Such criticism is, I submit, reasonable and helpful and cannot but be welcome to all those who wish to give the subject races every opportunity of developing their own personalities. The cases to which I shall refer have been selected with no special theory in mind, but just because they happen to have come within the range of my personal experience.

Now that the value of anthropology is every year becoming more and more manifest and is being more cordially recognised by the colonial authorities, there is one other point which requires consideration. That a course in anthropology is now included in the colonial curriculum is a matter for congratulation, but there is a tendency to assume that this is sufficient for the requirements of anthropological research. Let us state here quite unequivocally that this is not so and never can be so. A short course in anthropology enables officials to apply the data and methods of anthropology to administration: it provides them with that theoretical knowledge which will enable them to rule with a sympathetic understanding. This is very necessary and very desirable, but as one having had personal experience of administration among primitive tribes I reiterate that anthropological research work cannot be done by administrative officials however highly trained in anthropology. I will not elaborate this point, since space is limited, and I must pass to my specific criticisms, but briefly the grounds for my statement are these: (1) The administrative official has not the time for research work, which should be a whole time occupation; (2) his other official functions, whether police or magisterial, create an atmosphere inimicable to that complete trust and mutual confidence which anthropological research requires; (3) his duties compel him to take official cognisance of rites or actions which, thanks to an alien legal system, are technical offences, but are still secretly practised by the people whom as an anthropologist he should study with indulgent forbearance, if not with expressed approval; (4) his duties and position prevent that intimate association with the people in his charge which is essential to any anthropological work. For these reasons I submit that, while all officials should receive sufficient anthropological training to enable them to apply the material and principles of

anthropology intelligently in the exercise of their functions, they cannot do sustained research work. The two duties are incompatible. For this purpose anthropologists should be appointed to colonial governments untrammelled by the disabilities to which I have referred and free to carry on their investigations without vexatious formalities and extraneous duties. Then and then only, when these two principles are not only admitted but practised, will colonial governments begin to materialise those high ideals which they have long professed.

That it is easy to criticise is a truism, but none the less true to this extent, that criticism often fails to see the difficulties which face the institution or person subjected to the criticism. I referred earlier to those defects which are inherent in and ineradicable from all alien administration, whether well- or ill-informed, and I wish to make it clear that there are certain necessities of government which cannot avoid running counter to a strictly anthropological attitude. An excellent example of this was a circular which was issued by the Uganda Government forbidding all officials to undergo any ceremony of blood-brotherhood with natives. An anthropologist might be forgiven for raising his eyebrows in surprise and his voice in protest at an edict which assuredly cuts away from an official the best means of familiarising himself with the natives under his charge and of putting himself *en rapport* with the whole community, but I think that the anthropologist would be wrong. There are so many implications to blood-brotherhood among the Bantu tribes with reference to whom the circular was first issued that almost inevitably the official would sooner or later, and probably sooner, find the ties of blood-brotherhood in serious conflict with his duties as an administrator, magistrate or policeman. It was to avoid these ethical doubts and to keep the official's conscience pure and uncontaminated by heretical inconsistencies that the circular was issued, and I think that you will agree that this argues the more strongly for the appointment of an anthropologist who would have no duties which would make his blood-brotherhood an inconvenience to his conscience.

I could continue to enumerate the difficulties which beset governments in this way, but this is not the object of my paper and I have only mentioned the point in order to warn you against a too precipitate criticism. There is ample scope for criticism, and even in the case to which I have just referred, intelligent criticism would be admissible, though it could not result in any direct amelioration; but an unintelligent criticism which fails to take

into account any difficulties on the other side leads nowhere and only antagonises those whom it is our desire to help. There are difficulties which are not always superficially obvious and it would be a mistake to attribute to malice or intransigence policies or individual acts which may be due to ignorance or organic difficulties or to a combination of both. Where there is ignorance there is generally error and often injustice, and these can be remedied by criticism, but where organic difficulties intervene the most that criticism can hope for is a recognition of the *impasse* and a possible modification where a complete remedy is not practicable. It is only the sin against the light which is unpardonable, the refusal to make use of anthropological data when such a use is practicable and where the data are available.

That these difficulties are recognised to a varying degree by colonial governments is beyond doubt, and some of them have attempted solutions, which though encouraging as symptoms cannot always achieve the results which are anticipated. Thus in Uganda, and particularly in the non-Bantu portions of Uganda, the policy used to be extremely decentralised and District Commissioners were given a very wide latitude and authority, and were able by local regulations to modify or completely to change tribal customs and constitutions. The policy of decentralisation was undoubtedly the only policy possible and has a great deal to be said for it (I for my part would have resented any other), but the changes thus arbitrarily introduced in social organisations became so serious and so diverse that the government found it necessary to intervene and established native councils, comprising chiefs and old men of reputed wisdom, with a view to codifying the former usages of the tribes and the legal or constitutional changes which had been arbitrarily introduced and to advising on any additional changes which might from time to time be thought desirable. This was a very great sign of grace and should not be forgotten in our criticisms, but I fear that little good can result from the institution of these councils however well-intentioned. They can do little good, because the social organisation of the tribes has never been studied, though a few unrelated customs and laws have been noted: but mainly because the councils themselves are alien to the tribal constitution and were formed with a definite extraneous purpose rather than as an integral part of an organic whole, because many of the chiefs who compose the councils are not the real tribal chiefs, and because even the tribal chiefs have often become unconstitutional in the security which government protection affords them, and both they and the non-

tribal chiefs are apt to be actuated by personal motives in stating that certain customs are so when it is to their benefit that they should be so, whether this was the case or not—I refer to such customs as labour rights and hunting dues which are often now arrogated where there is no constitutional justification. Thus we see that the best endeavours of the government to provide for a stabilisation of the tribal organisations are defeated through no ill-will on the part of the government, but by the fact that the subject was approached from the wrong direction. None of these difficulties would have been encountered if the government had worked on data acquired by anthropological methods. A thorough knowledge of the social organisation of the tribes concerned would have given the government all the information which it required and would have re-established the tribal constitutions in their own right as organic and functioning entities.

In other directions governments have felt themselves bound by European conceptions of social conduct, more especially in the respective functions of the sexes. Take the question of portage for example. The whole question of transport by human portage raises wider issues into which I need not enter here: that it is uneconomic is generally admitted, but whether it is indispensable or not is a question for argument the discussion of which, I always find, tends to become heated and acrimonious. For the anthropologist it is sufficient to note that among very many tribes carrying or portage, what little there naturally is of it, is in the sphere of women's labour, and such an occupation is considered degrading to the status of men. Where, therefore, portage is considered necessary for the purpose of administration among tribes who hold such views, logic and equity demand that the portage should be done by women in accordance with local usage. But this has never been done in the countries with which I am acquainted and chiefs are invariably forbidden to supply women porters. The reason for this is not a deliberate disregard of tribal opinion: the administration does not wish to make its work more difficult by humiliating the tribesmen and enforcing duties which are felt by them to be degrading, but it is the instinctive homage paid to European public opinion, which for some unaccountable reason considers that in Africa men should do a work for which women are equally or better fitted and to which they are more accustomed. In addition to this it is only fair to state that other arguments could be used for not permitting women to do portage, namely, that portage under government

would be far more arduous than the trivial portage required in primitive life, that it involves greater distances and longer absences from home, and that consequently these novel factors would have unfavourable physiological reactions: but for all this the main reason, I believe, is the fear of public opinion in this country. Whether we agree or not in this subservience to public opinion, at least it shows how difficult uninformed criticism may sometimes make it for governments to take advantage of the simplest facts of anthropology. In my own experience this one question of portage has for more than three years prevented the Topotha tribe from giving their adherence to the government, as I was unable to secure from the government an assurance that their natural prejudices would be respected and that they would be guaranteed immunity from this obnoxious and to them degrading occupation.

I propose now to examine with you in greater detail two questions which are of vital importance to good government and in which, I think you will agree, governmental methods have partially failed owing to lack of anthropological information; I refer to the questions of chieftainship and marriage.

In the matter of chieftainship I shall not confine myself to one tribe, as the nature of authority varies from tribe to tribe, and as far as possible I shall refrain from obtruding my personal opinions and shall leave you to draw what conclusions you will from a bare statement of the facts.

In a recent paper on the Lotuko which appeared in "Sudan Notes and Records" Professor C. G. Seligman has shown that the *khobu*, a term which we may take to correspond with chief, is the religious and temporal head of the community, under whom the *lamonyemiji*, the "fathers of the land," wield a real power in the magico-religious sphere and have certain restricted legal and territorial functions. The *khobu* has certain prerogatives including the first fruits of crops. The point which concerns us here is that the *khobu*, who is also the rainmaker, "must be born of parents who both 'had rain,' that is, were themselves rainmakers. A man so qualified succeeds to the office on the death of his father or brother, but a woman who is born of rainmaking parents cannot perform rain ceremonies until she is married to a rainmaker. Although men take precedence over women as rainmakers and a woman cannot perform the ceremonies until she has married a chief, women rainmakers are not uncommon among the Lotuko." The term *khobu*, I should add, applies to the rainmaker chiefs irrespective of sex, males being differentiated by the term

lobu and females by the term *nobu*. The government recognises three orders of chiefs, the big chief or *khobu*, to whom the title Sultan is inexplicably applied, the sub-chiefs and headmen. In making these appointments the *lamonyemiji* have been completely disregarded and in some instances government nominees have been appointed as *khobu* who have either no rain in their family at all or have it only on one side. Consequently under the rules of the Lotuko constitution they have no legal right to the title of *khobu* and though they may satisfy certain government requirements they cannot function in Lotuko life. The tribal *khobu* of Tiran-gori is a woman by name Ikang, and when I visited that area last year in the temporary absence of the local District Commissioner I found a heated dispute in progress, as the government *khobu*, a man not qualified for the position by Lotuko custom, had resented her levying her rightful first-fruits from his crops. In a small way this shows the perpetual friction which must ensue from such departures from tribal constitutions, and though the government *khobu* may function as a government official backed up by the authority and power of the government he has no place in the life of his tribe, no position by right, no tribute from the people, no power save in strictly governmental affairs and that only by courtesy or the fear of punishment.

A similar state of affairs exists among the neighbouring Bari of the Sudan, though in this instance the government is not primarily to blame but the Bari themselves. Bari society is divided horizontally into three classes, which may roughly be differentiated by the terms aristocratic, proletariat and servile. The last two do not concern us here as we are only considering their principles of government. Very briefly we may state that the aristocracy, called *kimak*, chiefs, the plural of *matat*, corresponds with the Lotuko system of government. We have the big chief *matat lopiong*, chief of water or rain, and the *matat monyekak*, the owner of the earth, who corresponds with the Lotuko *lamonyemiji*, though the Bari representative has considerably more power both temporal and spiritual than appears to appertain to the *lamonyemiji*. Both the *matat lopiong* and the *matat monyekak* have territorial and spiritual rights, but in the former case the spiritual aspect predominates and in the latter the territorial. However that may be and without going further into the differentiation of their functions, we may say quite definitely that the tribal authority rests in the combination of the two, with the *matat lopiong* as titular head. It is impossible to give any adequate account of these chiefs in the time at my disposal, and I can only say that for

certain reasons which are mainly religious the *matat lopiong* felt it beneath his dignity to have any personal dealings with alien governments. It was no business of his to collect porters for the government: he was fully occupied with the affairs of his own government. It was no business of his to collect government taxes: he had his own tribute to supervise. Consequently at some period subsequent to Baker the Bari themselves found a *modus vivendi* and instituted a dummy chieftainship, men selected from the proletariat class to act as foreign ministers to the *matat lopiong*. These unfortunate men, who were and still are called *matat lugala*, or chiefs for the foreigner, were to serve as buffers between the real authority and the unsuspecting aliens, who thought that they were dealing with the actual chiefs themselves, and they have been accepted at their face value ever since. They have no power or authority, no prestige, no tribute, no wealth: they can order nothing, compel no one, and few accept the rulings which they give as governmental chiefs. They have neither religious nor territorial status: in short they remain dummies. But on the other hand the power and authority of the real chiefs have also suffered decay owing to the fact that these dummies are recognised by the government, whereas under modern conditions the old chiefs have not the force or the prestige at their disposal with which to maintain obedience and loyalty in a disintegrating society. Is it a matter for surprise then that the consensus of European opinion on the Bari is usually adjectival? They are idle, disobedient, good-for-nothing wastrels, insubordinate and undisciplined; the chiefs, who are no chiefs, are abused as incapable, which they must be, as timorous, which they well may be, as undignified, which as proletarians they undoubtedly are. No name is too bad for the Bari, no term of abuse too virulent; but the Bari are only what the ruin of their social organisation has made them and can only find salvation in a return to their legitimate constitution.

Among the Karamojong of Uganda the government found no chiefs and optimistically nominated certain individuals to act in that capacity, in the belief that because the Baganda had a highly organised system of government by chiefs therefore all the tribes in the country either have government by chiefs or no organisation at all. I believe that this is a fallacy, but you must bear in mind that in those remote pre-war days little or no information was available and the government had to do the best it could with limited knowledge and material.

Here I should like to add as a parenthesis what is, in my opinion,

a very serious defect of the governmental system in the matter of chieftainship, and that is, first, that there is a tendency in all governments to secure uniformity which can only be attained at the expense of indigenous cultures—a uniformity which in Uganda even imposes the Bantu terminology on Nilotic chiefs, the Luganda words *kabaka* and their whole hierarchy of chieftainship terms such as *katikiro*, *sabawali*, *sabagabu* and so on being substituted for or used in conjunction with the local tribal terminology; and secondly to regard chiefs as subordinate government officials rather than as tribal leaders, even to the extent of officially transferring them, as officials are transferred, from one locality to another in which the chief has no tribal status at all. The natural corollary is that a good chief or a bad chief is one thing to the government and another thing to the people whose chief he is; that is from the government's point of view the good chief is he who carries out government instructions, collects revenue, keeps his roads in irreproachable condition, provides labour, and dispenses the justice of the European whether he conforms to the constitutional practice of his tribe or not; while a sound constitutional chief may, though not necessarily, be a bad chief in official estimation.

However, to revert to the Karamojong, individuals were selected and "chiefs" were appointed, but they failed to function, and after a long trial with many changes in personnel it became evident that the so-called chiefs had absolutely no authority, which was entirely vested in the elders. I am not very conversant with the social organisation of the Karamojong, but I suspect that it closely resembles that of the cognate Topotha, which is based on a system of age-grades, the two eldest grades, at present the Nyimoru and Nyiuana, sharing the government of the tribe. Anyway it was manifest that the chief system did not fit in with the Karamojong organisation and I have been informed that the administration has very laudably given up its attempts to insist on chieftainship on the Bantu model and has reverted to the indigenous system of government by elders.

Again one can see that from the government's point of view it is much easier and more convenient to work through individual chiefs than through the more cumbrous medium of a council or association of elders in which it may seem difficult, or even impossible, to pin down the identity of a refractory member or to ensure unanimity of sentiment or action. But the duty of a government is to employ and to develop the means at its disposal, and not to graft at haphazard an alien regime on to the existing con-

stitution, in which it cannot reasonably be expected to function or at the most can only function under duress. What the indigenous constitutions are can readily be ascertained by anthropological investigation. Such investigations would in the past have gone far to facilitate good government and to promote sentiments of mutual regard between governors and governed, and would have averted many a petty war or punitive expedition by removing the misunderstandings which of necessity arise when sympathy is lacking and the local cultures are ignorantly disregarded. Even now it is not too late, and anthropology can do much to ameliorate the position of the governed and to simplify the difficulties of the governors by recovering and recording the social institutions which in the past have too often been neglected. But a ready sympathy is also required from the side of the government. Too carelessly in the past an institution has been abolished as offending against our code of humanity or morality. One of the institutions, for instance, often most intimately associated with government is the institution of initiation with its system of age-grades. This ceremony has, as you are aware, many functions apart from that of government, and one of these functions is instruction in discipline, an instruction which is often attended by severe corporal punishment. For this reason the ceremony has among many tribes been prohibited, to mention only two, the Acholi of Uganda and the Lotuko of the Sudan. The result is that the young have no longer any reverence and respect for their elders; the knowledge of their past history and customs is being lost to them, since education is another of the functions of the institution; sexual restraints are loosening, as there is no longer any communal instruction given on the physiological aspects of personal relations; and the core of the social organisation, that is the governmental functions of the age-grades, has been completely excised. Ignorance is again to blame, as it is inconceivable that these ceremonies with all their implications and ramifications were even approximately understood when they were banned by local authority. Corporal punishment was neither reasonless nor sadistic, it served a very useful and important function, and here we must join very definite issue with the abstract humanitarian. It is better, I submit, that occasionally a youth should be maimed—though I know of no instance of punishment so severe—than that through over-sentimentality, the life of the whole tribe should be maimed; a period of intense pain is preferable to a life devoid of pain but equally devoid of all purpose, interest, responsibility and collective endeavour. The former is transitory, but the latter spells tribal

inertia to be followed sooner or later by tribal decadence and in the end by extinction.

The second point which I want you to consider is concerned with marriage. I do not here refer to questions of polygyny or polyandry. In this respect the governments have been for the most part broad-minded, though Christian missions have been buttressed by legislation forbidding polygamy in the case of any native who has been married in accordance with Christian rites and stigmatizing any subsequent tribal marriage as bigamy subject to the displeasure of the law. Preliminary to marriage moreover, earlier unions contracted under native marriage laws have to be dissolved and these divorcées go to swell that ever-increasing class of women which even in Africa civilisation appears to demand. But serious as these innovations may later prove, this is not the place in which to discuss them, and I pass to that aspect of native marriage which is known as the dowry or bride-price. Both these terms are inadequate and the objection to the use of either are obvious to you all, but I believe that if anything bride-price with its suggestion of barter is the more objectionable and I shall use the term dowry to signify the consideration in labour or in kind which the husband gives to the family of the bride. You are all aware of the nature of this institution and know without my telling you that the conception of purchase does not enter into it. It has many functions, but one of its chief functions is certainly to safeguard the position and treatment of the bride, and without the dowry there is no legitimate marriage. The amount of the dowry varies from tribe to tribe, and within the tribe it may vary from locality to locality as well as in accordance with the position and family of the bride. It may also be subject to economic fluctuations affecting the tribe as a whole, due to cattle pestilence, drought or some other disaster. But what I desire you to bear in mind is that it is not an economic transaction itself—the woman is not bought and sold.

The second point to remember is that the dowry does not go to one individual or even to one family. In case you are not all familiar with the general principles governing its distribution I shall recite to you the list of persons who are entitled to dowry from the husband among the Didinga tribe of the Sudan :

- Mother and father.
- Maternal uncle or uncles.
- Paternal uncle or uncles.
- Maternal aunt or aunts.

Paternal aunt or aunts.
Maternal grandmother.
Brothers (if married).
Mother's sister's son or sons.
Father's sister's son or sons.
Maternal uncle's son or sons.
Sister's husband.

It is quite clear from this that several individuals and families and at least three clans are interested in the marriage, and it is to their advantage to ensure a happy and permanent marriage, as divorce would mean the restitution of this dowry together with all its increase and a dissolution of the guarantees of mutual assistance which unite families contracted in marriage.

It is very important to bear these two principles in mind with reference to what I now have to say. Among many tribes in Uganda and the Sudan District Commissioners have definitely laid down rules limiting the dowry to a certain specified amount, sometimes as among the Acholi to only two head of cattle and even changing the dowry from an animal to a monetary basis. The considerations which have led them to impose such regulations are mainly the following, and I think that I can explain the problem more simply if I confine myself to the Acholi tribe, who have probably suffered more than others in this respect :

(1) Nearly every official of my acquaintance has misunderstood the dowry system, and presumes that it entails the purchase of a bride. Consequently they have not looked further and consider that in limiting the price they are controlling profiteering.

(2) A limited and specified dowry precludes dispute in the event of a divorce as to the amount of the dowry paid. Now this is of course no justification for introducing such a revolutionary change, as it is part of the official's duties to assist in the settlement of disputes, and we need not therefore consider this argument.

(3) They consider that many natives are prohibited from marrying by the excessive size of the dowry, and the intention was to reduce the dowry to an economic figure, and by converting it to a monetary basis to put marriage within the reach of those who had money but no live-stock. In this, of course, they neglected to consider that no native marries except with the assistance of his relations and the size of the dowry always fluctuates relatively to the general economic condition of the tribe as a whole.

(4) It is alleged that when the dowry is unlimited the rich

men and the chiefs are able to secure a multiplicity of wives, as the girls are bartered to the highest bidder, while poor men remain unmarried. Actually, this is quite incorrect, and I have personal knowledge of many cases in which an unwelcome suitor offering a large dowry has been refused by the girl's family in deference to a suitor of moderate means, but more acceptable socially. Furthermore, the logical conclusion is that if the dowry is limited to a small figure, the chiefs and wealthy men generally will have so many the more opportunities of marrying. This artificial limitation does not in itself bring about either equality of wealth or of opportunity.

(5) It is also alleged that the natives themselves want limitation. In the first instance the limitation was imposed on the Acholi as an alien idea, and they were forced to accept it. Subsequently, neighbouring tribes did certainly show an interest in the innovation, but whenever I have inquired personally I found that families with marriageable relatives were absolutely against limitation, while uncritical young bachelors, hoping for something for nothing, were in favour of it. More drastically, when certain of the Didinga suggested that I should introduce limitation among them, and said that they could not do it themselves unless I enforced an order, I took a party of them to study the effects of limitation, of which they only knew by hearsay, among the Acholi and Lotuko, and at the end of the visit they very definitely decided to have nothing to do with it.

As I have said, the innovation has been introduced under a complete misapprehension of native marriage in general, and of the dowry system in particular. By limiting the dowry to two head of cattle, all the relatives of the bride, except to a small degree, the immediate family are excluded from participation. By converting the dowry to a monetary basis, the innovations have introduced just that element of purchase which was erroneously thought to be already inherent in the system. From lack of anthropological knowledge the tribal life of the Acholi has been effectually ruined, as we shall see by an examination of the results. By a limitation of the dowry both our main principles have been affected: the girl is not considered legally married, the question of purchase has been introduced, and this is the idea which is now present in the minds of Acholi girls and their parents. And secondly, the remoter relatives of the girl do not participate in the marriage and do not consider it as binding. The results among the Acholi, briefly tabulated, are these:

(1) The Acholi used formerly to marry at a mature age: now

immature girls are betrothed and married, as their parents say that two head of cattle are not worth more than a small girl.

(2) The personal desires of these girls are not considered.

(3) The young girl, on reaching maturity, leaves her husband.

(4) A mature girl married for two head of cattle only stays with her husband for a limited period, which is considered equivalent to the worth of the cattle.

(5) After such a marriage, instead of counselling her, as formerly, to remain loyal to her husband, her relatives, and more particularly relatives who, like the maternal uncle, have received no dowry, secretly encourage her to leave her husband and to go to a lover.

(6) A suitor dare not pay the full tribal dowry as in case of divorce any surplus beyond the new statutory amount would be confiscated.

Thus we see that there is no security in this revolutionised form of marriage as there is no social sanction for it. The limited dowry has introduced a species of legalised prostitution ; family life is fast breaking down, and we may eventually find in real fact and as a result of civilised methods that state of complete sexual promiscuity which has so often been theoretically hypothesised. And all this is due, let me emphasise it once more, to a complete ignorance of the social institutions of the tribes for whose moral and social development we have made ourselves responsible. The choice is now before us : shall we choose to preserve their ancient institutions, exalting them, breathing into them, it may be, a new spirit, revivifying them and raising them into an enduring edifice ? Or shall we prostitute them as a sacrifice to our ignorance, leaving as our memorial the tortured soul of peoples whom unwittingly we have betrayed and, thinking to benefit, have doomed to an infinitude of misery, desolation, and, at the last, extinction ?

Hear what Rattray has to say in an official report on the Ashanti.¹ " One path leads, I believe, to the unrest and ferment we see on every hand among the peoples whose institutions we have either deliberately broken down or as deliberately allowed to decay. The other path at least leads to some surer hope, because it has landmarks which the genius of the people will recognise and which will keep them upon the road when in difficulties. . . . Among the younger generation there is a tendency to ridicule the past. A youth who has passed the fifth, sixth or seventh standard, and who, by clerical work, earns a few

¹ Colonial Office Report, 1921.

pounds a month, and is dressed in European garb, in his heart despises his own institutions, and his own illiterate elders; but he takes his cue from the European whom his end-all and be-all is to copy. I firmly believe that once the Government and political officers are seen to take more interest in his ancient customs, and are seen to encourage such customs and institutions as are good, the younger generation will themselves follow suit, and come to realise that they should not throw away their priceless heritage."

Mr. Hawtrey on the Scope of Economics

By LIONEL ROBBINS

(Lecturer in Economics at the London School of Economics)

MR. HAWTREY'S new book is a portent in economic literature. Mr. Keynes, lamenting Marshall's aspirations for an impossible finality, once praised Jevons for his "willingness to spill his ideas" and "to flick them at the world." "In view of the transitory character of economic facts, and the bareness of economic principles in isolation," he asked, "does not the progress and the daily usefulness of economic science require that pioneers and innovators should eschew the Treatise and prefer the pamphlet or monograph?"¹ Mr. Hawtrey has followed the Jevonian way with a vengeance. For years he has been flicking ideas at the public. He has now flicked a whole *Weltanschauung* in the same direction. The *Economic Problem* is not a systematic treatise: it is rather a series of notes for such a treatise. Mr. Hawtrey covers the whole ground but he does not cover it on foot; he surveys it rather from an aeroplane. He shows us all the kingdoms of his world but he takes us up a great height to do so. This is not to say that the book is easy reading. Both the breadth of Mr. Hawtrey's subject matter, and the swiftness of his intuition, make that out of the question. But the substance, the reflections of one of the most penetrating and brilliant minds of our day upon the problems of contemporary society amply compensates for this initial difficulty. It is safe to predict for it a permanent place in the literature of the science.

Mr. Hawtrey's discussion falls naturally into three divisions: In the first he explains the existing economic order; in the second he criticises both its working and its achievement; in the third he discusses proposals for improvement. In all these he is illuminating and suggestive. But in so far as he contents himself with scientific investigation he makes no important innovation in theory. His mode of presentation is different, but the results of his analysis are in line with those of his contemporaries. It may be contended that his theory of profit breaks new ground. And it is true that his "very important conclusion" that "the

¹ *Memorials of Alfred Marshall*, ed. Pigou, p. 36.

equalising effect of the market does not equalise the incomes of the traders, but the ratio of profit to the value of the goods bought and sold,"¹ is presented with the appearance of a new doctrine. But, if I am not mistaken, Mr. Hawtrey's difference from his predecessors here consists not so much in a disagreement as to the actual facts of the case as in his adoption of a different definition of profits and his concentration upon a different aspect of the problem.² In any case, the main feature in his treatment of profit, his insistence upon its importance as a source of accumulation, has been the common property of economists for generations. What is new and very valuable is the extremely ingenious way in which he applies this theory to the interpretation of modern imperialism. Again, I should feel inclined to question the accuracy of his statement that, owing to the spread of collective bargaining, the labour market has "broken down"³ as a machine for ensuring the distribution of labour. "Broken down" seems very strong language in which to describe the state of a machine which, after all, does still succeed in sorting out the greater proportion of the working population of modern communities into what, having regard to consumers' demand, are more or less the right occupations. Here, surely, Mr. Hawtrey's otherwise admirable sense of perspective becomes distorted by the difficulties of this small island in the immediate present. No one will deny that since the enormous dislocation of the war the labour market, whose normal business it is to effect merely marginal readjustments, has functioned more clumsily than usual. Nor is it open to question that the presence of strong trade unions may introduce a greater degree of friction than would otherwise have been present—although it is not clear that this is necessarily so. It is probable, moreover,—a fact which Mr. Hawtrey has not mentioned—that as the size of the population becomes more stationary, large readjustments of labour supply, by means of the price mechanism, will take longer periods, and involve more inconvenience. But to say that, in an area in which, ever since the war, transfers of labour amounting to hundreds of thousands of workers have taken place, the labour market has "broken down" is surely to use too strong an expression. Mr. Keynes' discovery that in the long run we are

¹ *The Economic Problem*, p. 46.

² The suggestion (in the sentence quoted) that it has been urged, in recent years, that the equalising effect of the market *does* equalise the incomes of traders, *irrespective of their ability and opportunities*, is one which, I confess, I find it very difficult to accept. But Mr. Hawtrey's apparent phobia of footnotes makes it very difficult to follow what he has in mind at this point.

³ *Op. cit.*, p. 388.

all dead, seems temporarily to have had the effect, so far as labour matters are concerned, of deterring economists from considering any tendencies which do not work themselves out in a few months. This does not seem desirable.

But all these are points of detail. Mr. Hawtrey's main innovation, and the innovation on which I imagine he will encounter the greatest opposition, lies not in his analysis of what is usually recognised as the subject matter of economics, either theoretical or applied, but in his claim to extend that subject matter still further. In the past, economists have generally agreed that ethical criticism was not part of their business *as economists*. They have included in their discussions a theory of welfare or consumption—a theory of the power to yield satisfaction of the goods and services whose production and distribution they analyse. But in recent years, at any rate, they have not deliberately gone beyond the threshold of consumption, to a discussion of the ultimate ends which production and distribution may be conceived to serve. In this, Mr. Hawtrey thinks they have been wrong. Mr. Hawtrey would have them pursue their investigations further to the good or bad effects which follow various kinds of production and consumption. In other words, while admitting a separate sphere for the metaphysical branches of ethics, he would bring applied ethics so closely in touch with economic analysis as to constitute ethical judgment of economic ends an integral part of economic science. "Economics," he says, "cannot be dissociated from ethics."¹

Mr. Hawtrey bases this claim upon a criticism of the methodology of contemporary economists. The issues involved in this criticism are so important that no apology is needed for examining it closely.

Mr. Hawtrey starts from the view that economists are already committed to an ethical philosophy. "Economics cannot be dissociated from ethics," he argues in the passage already quoted. "Those who say that wealth or utility is the end of economic action are committing themselves to ethical propositions which are open to challenge and need to be defended and justified." Here, right at the outset, is surely a confusion. To say that utility is the end of economic action is by no means *necessarily* to imply that action should be directed to maximise utility. It is true that it *may* involve this implication. The term "end" may be used with an obligatory connotation—as in the catechism. But it is not necessarily so. Its connotation may be purely behaviour-

¹ *Op. cit.*, p. 184.

istic.¹ Not holding a hedonistic psychology, I do not defend the proposition in question. But I do think it important to emphasise that even so question-begging a statement as this need have no ethical implication whatever.

But this is a mere preliminary of Mr. Hawtrey's general argument. The main attack is directed against Professor Pigou's use of the conception of economic welfare. Here, it seems to me, he has something to say of considerable importance. It will be remembered that Professor Pigou conceives of economic welfare as consisting of such satisfactions as are amenable to the measuring-rod of money, and bases the whole of his analytical structure upon the assumption that this is so. It is this identification of welfare with satisfaction to which Mr. Hawtrey raises objection. "In identifying welfare with satisfactions, Professor Pigou is implicitly assuming in the individual a disposition to prefer the greater good, just as the hedonist assumed a disposition to prefer the greater pleasure."² To refute the validity of this identification, he undertakes an elaborate examination of the actual choice of consumers and decides that even when they do not miscalculate satisfaction,³ the satisfactions are not all of an order which can be designated as welfare. "We reach the conclusion . . . that the consumer's preferences have a very slight relation to the real good of the things he chooses. . . . We are compelled, therefore, to give up what has been from the very start the leading idea of economists, the idea of a *measurable aggregate* of economic welfare which forms a part or a constituent of welfare as a whole. . . . It is not merely that when the aggregate of satisfactions is increased, counteracting decreases may be caused in other forms of welfare. That is a matter which Professor Pigou has dealt with quite adequately. If the aggregate of satisfactions is an aggregate of welfare, there is a presumption that any change in it represents a corresponding change in the more comprehensive aggregate of welfare as a whole. . . . Our objection goes much deeper than that. The aggregate of satisfactions is not an aggregate of welfare at all. It represents good satisfactions which are welfare and bad satisfactions which are the reverse."⁴

That is very weighty criticism. I am not now discussing the metaphysical question whether Mr. Hawtrey's implied preference for a non-utilitarian ethics is a just one. Personally, I am inclined to think that there is more to be said for utilitarianism as a neces-

¹ Compare Cassel, *Fundamental Thoughts in Economics*, pp. 85-86.

² *Op. cit.*, p. 184.

³ He recognises that Professor Pigou allows for this possibility.

⁴ *Op. cit.*, p. 215.

sary fiction of pragmatic politics, than he is willing to allow. But that is one of the questions which, as an economist, I am most anxious to avoid. It is not necessary to accept Mr. Hawtrey's ethical premises, to admit the force of his criticism that the use of the term welfare in such a context begs the fundamental question of ethics. Here, I think, we must admit that his attitude is just. But beyond this we part company again. For whereas Mr. Hawtrey seems to regard this conclusion as a warrant for substituting as the criterion of economic action *his* conception of ethical value, most of us, I fancy, will feel that it is merely an argument for substituting as the designation of this part of the subject matter some term less question-begging than economic welfare. I do not think Mr. Hawtrey does justice to the real cause of the economist's desire to keep his science free from the intrusion of ethical criteria.¹ He recognises the aversion but ascribes it to a childish pride in mere precision. "Economists are proud to claim that their's is the most exact branch of social science. The intrusion into it of the vexed questions of ethics with the vast amorphous phantoms of metaphysics looming in the background would soon make an end of that claim."² But, of course, this is entirely beside the point. What precision economists can claim at this stage is largely a sham precision. In the present state of knowledge, the man who can claim for economic science much exactitude is a quack. The problems of human motive we have to analyse with the "vast amorphous phantoms" of psychology at their back, are nebulous enough in all conscience. It is not because we believe that our science is exact that we wish to exclude ethics from our analysis, but because we wish to confine our investigations to a subject about which positive statement of any kind is conceivable. It may be that an exact science of economics is forever unattainable. There are reasons for discounting any excessive optimism in this connection. But, however feeble and approximate our generalisations are doomed to remain, it will still be theoretically possible for more intelligent investigations to make them more satisfactory. So long as we confine ourselves to the investigation of what is, or what can be, the deficiencies of economics are the result of the deficiencies of economists. But so soon as we include investiga-

¹ Perhaps it would be as well to insist, at this point, that this is not the same as desiring to exclude the consideration, in its economic aspects, of action based upon ethical intentions. This is not a dispute about economic motive. Somewhere about 1950, economists may hope that journalists and others will discover that "economic man" is no longer assumed in their discussions, and will cease to acquire cheap reputations by pompous denunciations of this obsolete fiction. But until that time it is as well to be explicit.

² *Op. cit.*, p. 183.

tions of what should be, we are embarked on speculations whose very nature no philosopher since the beginning of time has succeeded in making clear. It is not a question of precision, it is a question of scientific intelligibility. Theoretically, the generalisation of economics could be tested by experiment. But in regard to the generalisations Mr. Hawtreys would have us make no experiment is thinkable.

Mr. Hawtreys is too subtle a thinker to be unaware of these considerations. But the expedient by which he attempts to evade the conclusion to which they point is singularly unconvincing. It is possible, he contends, for economists to avail themselves of the end-products of ethical analysis without becoming lost in ethical speculation.¹ "For the investigation on which we are engaged we need not adopt a definite system of ethics, so long as we can apply that body of judgments which all systems of ethics alike endeavour to explain and assimilate." But, quite apart from the objection that this is only to rehabilitate the consumer's choice in a somewhat chastened form, the existence of such a common body of judgments itself is open to question. Shut Mr. Hawtreys into a room together with Lenin, Confucius, Mohammed, Buddha, and the designer of the Maya altar pieces—to take a few random specimens of highly intelligent humanity—and ask them to draw up a report embodying these judgments, and it is highly improbable that an "agreed document" would be forthcoming. No doubt they would agree that the good, the true, and the beautiful were everywhere desirable. But when they came to define these terms, a difference of opinion would be probable. On the other hand ask them to produce a report on the causes of changes in the rate of interest, and it is possible that Mr. Hawtreys might succeed in eliciting no inconsiderable unanimity—Lenin perhaps dissenting. Mr. Hawtreys, indeed, recognises that "we must not exaggerate the extent of the general agreement to be found in the common ethical judgments of mankind."² But he does not seem to see that unless there is general agreement, he has not escaped from the metaphysical.

All this is not to say that economists should not deliver themselves on ethical or normative questions, any more than an argument that botany is not concerned with æsthetics is to say that botanists should not have views of their own on the laying-out of gardens. Whatever may be our philosophical views as to the possibility of scientific ethics, as social beings we have to assume some such conception, and there is no reason why econo-

¹ *Op. cit.*, p. 186.

² *Op. cit.*, p. 118.

mists alone among their fellows should deny themselves the liberty of dogmatising. On the contrary, it is highly desirable that they should not do so. If we are to judge by results—and there could be no better example than this book of Mr. Hawtrey's—there is apparently something in the study of economics which is peculiarly conducive to the formation of what men of the Anglo-Saxon tradition regard as right judgment in these matters. It is no accident that most of the great economists have also, as we conceive it, lived greatly—that to-day what leadership in ethical opinion we do not find revolting to our sceptical tempers comes from men who have devoted time to the study of economic problems. In spite of the sneers of modern sciolists and the futile bellowsings of *soi-disant* Victorian prophets, economics holds its own as a liberal education with any intellectual discipline. An understanding of the objective limitations of social action is no bad preliminary to a just appreciation of the possibilities of social development. All this is common ground between Mr. Hawtrey and the rest of us. All that I am pleading for here is that we should preserve that separation of *science* from what at best must remain pure *opinion*, which has emerged so hardly from the irrationality of the pre-scientific era. By all means let us be willing to spill our opinions on the public. By all means let us try to make *our* categorical imperative *the* categorical imperative. But for the repute of that little area of knowledge which we can fence off from the wilderness of velleity and dogma, do not let us pretend to be talking economic science. Some day perhaps we may persuade the world that we understand those phenomena we call economic. Let us beware lest we jeopardise even this title to respect by claiming the same sanctions for judgments of value.

Administrative Jurisdiction in Germany¹

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THE problems of administrative law, of "droit administratif" and of administrative jurisdiction are arousing much discussion in this country and in the United States. This is the result of the development of the modern State, the structure of which is characterised in all countries by an increased importance of the Executive and, therefore, of the Civil Service. But I do not wish to take part here in this highly interesting controversy about Anglo-Saxon law and political science. I hope to do so later. To-day I am only concerned to show the development and the present state of one considerable part of this problem in my country, i.e. the administrative jurisdiction of Germany.

I

The *judicial protection of public law* is not an old institution in Germany. During the middle ages, all claims could, of course, be brought before the courts of law. At that time the law was undifferentiated; nobody knew a distinction between "private" and "public" law. Therefore only one kind of court existed. But development brought other results. It is necessary to bear in mind that Germany is not yet to-day a unitary State like Great Britain or France. The unit of the State existed in a less high degree in earlier times. During the seventeenth and eighteenth centuries the majority of the German States were members of the Holy Roman Empire. But it is well known that this Empire more and more lost its political power and influence over the single German territories. For this reason the origin of the modern German State is not connected with the Empire, but it begins in the single German territories. These consolidated their political power by different means. First Prussia had the institution of a standing army. The King and his bureaucracy broke down the privileges and vested interests

¹ Dr. Finer, in revising this article in proof and without the help of the original German manuscript, has done all that in these circumstances was possible to remove obscurities and improve the translation generally.

of the "Estates." Equal taxes were collected from all parts of the population, and by the so-called mercantilistic policy the different parts of the State were welded together. In this way the monarch and his civil servants were able to erect a real public commonwealth, endowed with the attributes of the modern State. But an immediate consequence of this development was that the *competence of the courts of law* was very much diminished in the domain of public law. There existed still *in law* a claim before the courts of the Empire, if an individual were injured by unlawful administration, or if he claimed that the territorial administration had encroached on his vested rights. But the more the power of the States was increased the more they were anxious to be free from the power of the Empire. A point of utmost importance in this direction was their emancipation from the jurisdiction of the Reich. The latter slowly ceased to be efficient, long before the Holy Empire itself was dissolved at the beginning of the nineteenth century. By this development the States became more independent. But on the other side legal protection decreased, because the jurisdiction over claims against the monarch passed over to the monarch himself or to his executive boards, but not to the courts of law. This effect was strengthened, because by special laws the competence of the courts of law was excluded where a claim was entered against the exercise of a right of sovereignty. This development shows the effect of two evolutionary tendencies which are very closely related. Generally seen, this legal evolution is the product of the great tower of the "bureaucracy," which, in all countries and in all centuries, more or less dislikes to be dependent on the rule of law. As for the special Prussian-German aspect, there ought to be considered the very difficult situation of this commonwealth in the eighteenth century. Neither its international nor domestic position was consolidated. For this reason the monarch and his bureaucracy were anxious to be hindered as little as possible in order to build the commonwealth as political needs dictated. On the other side there was a certain protection of public rights. The administrative boards which had competence over the claims were generally composed in a collegial form. As experience shows, each collegial board inclines to a certain degree to take notice of legal questions. But the efficiency of the rule of law was not very highly developed. The courts of law were most independent *de facto*, but not *de jure*. Interference by the monarch with the course of law was legal and occasionally practised.

But the public opinion of the nineteenth century turned

against this situation. Its claim for better judicial protection of public rights necessitated the development of the judiciary. The courts of law became independent, subject only to the rule of law. In this way there was legal protection in civil and criminal matters, quite adequate to the demands of constitutional doctrine. On the other side the collegial formation of the executive boards, whose importance for our problem I mentioned above, ceased and was changed for administrative reasons into the so-called "monacrac" system, under which not a collegium but the director of the board gives judgment. There were real courts of law, there was a diminution of the administrative protection of public law. Why should public rights be less protected?

The public opinion of these times was much influenced by the ideas of the Reformation and the philosophy of the eighteenth century. The programme and the example of the French revolution and Napoleonic legislation worked upon the general mind. *The autonomous individual claimed his natural rights.* Liberal and democratic ideas more and more permeated the public spirit of Germany. And it was thoroughly inconsistent with these notions that only the public rights of the individual should be deprived of judicial protection. From decade to decade it grew to be the general persuasion that this status ought to be altered. There were two methods proposed in this direction. One body of opinion called for the competence of the ordinary courts of law for all kinds of claims, whether of private or of public law. This was the demand of individualistic liberalism, which was more and more dominating German legislation during the last fifty years of the past century. E.g. the Constitution of Frankfurt of 1848 provided, "administrative jurisdiction ceases; the ordinary courts of law are competent over every kind of violation of law." As a matter of fact, this constitution remained a draft. Only in a few States of Northern Germany (Hanover, Mecklenburg, the Hansa-Towns) was this competence introduced. It is not without interest that this development, which shows an absolute parallel to the Anglo-Saxon judiciary, took place in the low-German States, which are the most consanguineous to English people.

But this was, as I already mentioned, not the general German evolution. Only a few laws of Prussia and of the Reich, about which I shall say something later, established the competence of the ordinary courts of law for various pecuniary claims connected with matters of public interest, e.g. the salary of civil servants and the repayment of taxes. Generally, administrative juris-

diction was introduced. Already in 1819 Württemberg had set up an administrative court on the model of French institutions. In 1863 Baden followed this example. But the general introduction of this system took place only at the prompting of *Rudolph von Gneist*, the famous lawyer and politician. Long years of study of British institutions gave him the idea of modernising and democratising the administration of Prussia. It was especially the fundamental ideas of English local government which he wished to transfer. As a matter of fact he did not properly understand the working of the English constitution. For this reason the learned works he published about England, a good many of which have been translated, do not exactly represent the facts. Nevertheless—and only this is important from the point of view of this essay—the Prussian reforms of the 'seventies of last century were deeply influenced by English ideas. The whole is based upon the idea that the mere bureaucratic administration of the localities should cease in favour of self-government. Owing to the German tradition, and especially to the high degree of power which was possessed by the bureaucracy, it would have been impossible to introduce a new system, thoroughly organised like the local government of this country. The legislation rather introduced a system which was a compromise between the old machinery and the ideas of "local self-government." The boards of administration, which English people would call local, were composed of civil servants and members of the public. In this way the legislation resulted in two kinds of people working together: the civil servants, whose business is the administration of public matters and who, therefore, have a professional experience, and members of the public, who represent, as so-called laymen, public opinion, and who are not influenced by official dependence or by a specifically bureaucratic process of thought. It would be impossible to develop here the whole scheme of this reform. For our purpose it was only necessary to describe his general ideas as the foundation of administrative jurisdiction.

But the constitution of these courts was built up, as it often happened in the legal history of Germany, by reception of foreign ideas from a variety of sources. If *Gneist* had followed entirely the example of this country, he would have added to the former jurisdiction of the courts of justice in civil and penal matters the jurisdiction over public rights. But this way was decided to be not fit for German circumstances. The bureaucracy, who disliked the review of its acts by any tribunal, would have been much more opposed to an arrangement of this kind because it was afraid

that the judges would not know enough about political and administrative questions. This was indeed a very important argument. In Germany the judges are not appointed after long years of practice as barristers, but after a three years' University course and three (formerly four) years of training in the courts, an occupation very similar to the years spent in England by future barristers, before they are called to the bar. For this reason the future judges are immediately occupied only with judicial matters. The courts of law were, as I mentioned already, in the times of *Gneist* only competent in civil and criminal matters. The judges, therefore, were scarcely intimate with public law. Owing to their condition and their particular work they failed to have the political and administrative practice which is essential for good judgments on these matters. For both reasons Prussian legislation decided not to assign the new judicial competence in public rights to the ordinary courts of law, but to connect it with the Executive. We shall see later [*vide infra* V] that in spite of this connection there exists a high and practically sufficient degree of judicial independence. But the perfect "rule of law" was not established.

This separation of the judiciary was a reception of French ideas, but the new system of local government was deeply influenced by the ideas which *Gneist* had about the institutions of this country.

In introducing this reform *Gneist* wished to imitate British institutions. As a matter of fact he did not do so, and like *Montesquieu* he did not see the real state of English political institutions. Although the Prussian so-called "Selbstverwaltung" (self-government) and with this the constitution of the administrative courts is thoroughly different from the local government of this country, English democratic ideas have had great influence. Through the whole body of Prussian self-government and administrative courts there is co-operation of civil servants or administrative judges with laymen. This mixture of learned and not learned persons is a special characteristic of the system. About fifty years before we obtained a democratic constitution there was in this way a very deep democratisation of the administrative system.

II

Gneist's reforms were carried through a few years after the foundation of the Reich.

What were the consequences of this event? It ought to be

remembered that the constitution of the Reich in 1871 gave only a very limited power to the Reich in matters of law, and only very limited powers of direct administration. The federal elements prevailed. In consequence public administration and, therefore, administrative jurisdiction, remained mainly with the States. There were at first only a few powers, e.g. in matters of poor-law, with the Reich. Only the National Insurance System which was established in the 'eighties and later extended was endowed at once with its own administrative courts. On the whole the political influence of federalism was too great to concede alterations. As a matter of fact, owing to the increasing unification of the political, economic, and social conditions of Germany, the administration and laws of the Reich increased year by year. But the administration and, therefore—as far as they were established at all—the administrative courts remained with the States. Only after the Constitution of Weimar was established in 1919 was there a substantial change. But with this matter we shall deal in discussing the law of to-day.

In summing up the *result of historical development* we may say that administrative jurisdiction grew up very slowly in Germany, and that till the new political system was introduced there was a heavy ascendancy of State jurisdiction.

III

As I just pointed out there are *Administrative Courts of the Reich and of the States*. The division between their spheres of jurisdiction is not ruled by a general principle, and is only to be understood by historical development. As I mentioned above, all the claims which arise from the National Insurance Law may be brought to the final decision of a special administrative court (Reichsversicherungsamt). There is the same system for the whole sphere of pensions and allowances for death and sickness. All the claims of this kind may be brought first to special administrative courts of the States (Versorgungsgerichte) from which there is an appeal to the "Reichsversicherungsgericht." There are further some special Administrative Courts for matters of poor-law and for various claims of an economic kind.

In all these cases a Court of the Reich has only final power. Only two cases may be shown in which the Reich has its own courts of lower and higher instance. One example is the so-called *Courts of Discipline* (Disciplinargerichte). It ought to be remembered that the legal position of German public officials is thoroughly different from civil servants in this country. Apart

from a few exceptions all officers are appointed for life and cannot be removed without their consent. If they do wrong, there are some distinctions with regard to actions against them. A civil or criminal action may be brought against them as against other people. But there are cases in which a public officer only contravened disciplinary rules or did not behave decorously, e.g. being drunk in public. He is then liable to disciplinary punishment. His superior may punish him if he did only a little wrong. But in all cases more serious, especially when there is question about his dismissal, the above-mentioned courts are competent. No official can be dismissed without their judgment valid in law. There are several courts of first instance spread over the whole Reich and one last court of resort closely connected with the Supreme Court of the Reich. When we remember the large number of officials and the importance of their discipline for the healthy operation of the commonwealth—especially in the last few years of political and social conflict and disorder—it results without further consideration that these courts are vested with a jurisdiction of a very great political moment.

The same is true about the *Financial Courts*. They have been in existence as Courts of the Reich only since a few years ago. Formerly the so-called "direct taxes" were levied by the States. Only the customs and excise duties belonged to the Reich: but the whole administration of all taxes was exercised by the States. Also the jurisdiction of the State taxes belonged to the States. About the taxes of the Reich there was a legal claim in the ordinary courts because a general administrative court of the Reich did not exist. In the last instance the High Court of the Reich was competent. But gradually the number of taxes the Reich levied increased. Therefore, in 1918, a High Financial Court (*Reichsfinanzhof*) was established in order to secure the unity of jurisdiction about Imperial taxes. Two years later the Income Tax and other important taxes were transferred to the Reich. Nearly all important taxes are now raised by the Reich. It was the immediate sequel of this progress of unitarism that the administration was also transferred to the Reich. It is impossible to deal here at large with the most important constitutional and political consequences of this change for the structure of Germany.¹ Here we are only interested in the judicial consequences of these events: the Reich established a complete set of courts for its own taxes. In the first instance there is a difference between duties

¹ Cp. Lassar, *Reichseigene Verwaltung unter der Weimarer Verfassung*, in *Jahrbuch des öffentlichen Rechts*, 1926, p. 125 sq.

and excise, on the one side, and the other taxes on the other side. The first judicial decision is given about the former by an administrative board, whereas a special Administrative Court, the so-called "Finanzgericht," is competent for all the other taxes, especially the very important Income and Property Tax. Against all judicial decisions in these matters, of the administrative boards as of the courts, an appeal is allowed to the Imperial Financial Court, which I have already mentioned, the "Reichsfinanzhof." No claim may be brought in the ordinary courts about any taxes of the Reich, and if somebody should do so, the Court would have to dismiss it, since it is incompetent for such an action.

The reader, who has been patient enough to follow my argument as far as this, may have the impression that there is not a unified system of administrative courts of the Reich, and that a general power does not exist. He is quite right. The administrative jurisdiction of the Reich has grown up slowly. It was closely connected with the political and administrative evolution of the Empire. The present condition does not proceed from a rational codification, but is the result of a historical development like the judicial system of this country. And there is no general competence of the Reich for all claims which arise about its own administrative laws, but only as far as this is established by the special laws, with which we dealt above. The constitution of Weimar attempts to alter this situation. It directs that by special laws Administrative Courts ought to be established for claims against rules and enactments of the local authorities and departments as well in the States as in the Reich. There is a strong opinion that a general high Administrative Court should be established in consequence of this provision. Several drafts of a bill have been published. But the necessity of economy and a certain opposition of the "bureaucracy" against any extension of judicial control have so far been too strong.

All Administrative Courts of Germany which do not originate with the Reich are State Courts. We shall deal later with the competence of all Administrative Courts *en détail*. Here, it is only important to notice that about all other matters of public law as far as there is any jurisdiction—it is administered by the States. It is impossible to give an abstract formula. But to give a very important example, all claims against orders of the police are brought in these courts whether the law is a State law or a law of the Reich.

I wish to repeat that it is very difficult for a foreigner and sometimes even for a German lawyer to be quite certain about

the distribution of powers. But this is the inevitable result when a legal system is deeply influenced by historical circumstances.

IV

Very important, both from the legal and political point of view, is the *constitution of the Administrative Courts*. In the ordinary Courts, the judges are appointed for life and they cannot be removed from their office or be transferred into another office, if they do not agree. This latter condition only arises in cases of a disciplinary forfeit. So the judges have the general position they are vested with in all modern countries. Not all the judges of Administrative Courts have the same position. There is a distinction between the Administrative Courts of last resort and the courts below. The judges of the former kind, who give the final decision in an administrative action, have quite the same position as the judges of the ordinary courts. But not all the judges of the courts below have the same position. They are composed, as I mentioned already above, of professional judges and of laymen. In all judicial systems the laymen are not appointed for life. This is no exception to the general judicial system. But there is a very vital one in the constitution of the lower Administrative Courts. This does not provide the same guarantee for the professional judges. Certainly they, as well as the lay judges, are quite independent in their judicial function, and subject to no other rule but to the law. But they are generally appointed as judges only as a secondary or additional office. So they may be transferred to another office like other civil servants and with their translation their judicial office ends *ipso jure*. This is, of course, a certain weakness of the constitution of these courts. And many politicians and lawyers think that this system ought to be altered. As a matter of fact, till to-day the Legislature has not decided to do so. The reasons of this regulation are as follows: It was very difficult to establish the Administrative Courts, the "bureaucracy" being in very strong opposition to it. According to the political situation it was necessary to combine these courts with the administrative hierarchy. Further, the judges then were not familiar with public law and administrative matters, the general competence of the courts being limited to actions about public and criminal law. Finally, there was a strong opinion—and it still exists to-day—that the rightness of the judgments delivered by these courts and their practicality may be secured in a high degree if there is a member of the court who is also an administrative officer. The officials,

indeed, know more intimately than other people the nature, administration, and which decision refers to the appropriate law. They are people who are not only occupied in passing judgment, but they are as well active members of the administration, the essence of which is to have a determined mind, and they are endowed with a considerable strength of will. Nobody who knows anything about this province of law will deny that these qualities are especially precious for judgments about claims which arise from administrative activities. It may be that another system would be established, if the Administrative Courts were being introduced to-day. But the question of a thorough reform has never been raised, because no serious complaint has ever been published alleging an attempt on the judicial independence of the judges.

The *composition* of the Administrative Courts varies from the High court to the courts below. Half the judges of the former must have been before their appointment judges of the ordinary courts. The other must have been administrative officers. By these means the courts are composed equally of members of legal and of administrative experience. The courts below are composed of one or two officials and of a varying number of laymen chosen by members of the local government authority. There is always a majority of laymen.

The number of instances, too, varies. In a few cases the claim is to be brought in at once to the High Court. But generally there are one or two instances below, and in these cases the appeal to the High Court may only be founded on questions of law, not of fact.

V

I do not wish to speak here about the rules of procedure, these being very similar to the procedure in the ordinary courts and without special interest from our point of view. Only one question remains with which we have to deal here, and indeed it is a problem of utmost importance: The *competence* of the Administrative Courts.

Here we may proceed by first considering two points. As I mentioned above, certain claims which are founded on public law are within the competence of the ordinary courts, e.g. the salary of the civil servants, compensation for expropriation, or if a claim is founded on governmental responsibility in tort. All these cases, of course, are outside the competence of the Administrative Courts. Nor are they competent, where the Execu-

tive is empowered to act according to its discretion. It would be intolerable, if in such a case there should be a jurisdiction, no question of law being raised. Only if the Executive should pass the limits of its discretion—i.e. if it should act *ultra vires*—is there the opportunity of resorting to the Administrative Courts, the question of keeping within the bounds being a question of law, because the limits are determined by the law. Therefore, an excess beyond them would constitute a wrong.

Apart from these questions, the legal position of which I just explained, there is the great number of all the other public rights. As to resorting to the courts two different solutions are possible : either the admissibility of a claim may be granted for all public rights or only for certain rights, which are especially enumerated. Both systems are established in the administrative judiciary of Germany. It is clear that only the former gives a complete guarantee of judicial protection. But only the legislation of relatively recent date, e.g. the financial jurisdiction of the Reich and the judiciary of some States (Württemberg, Saxony, Thuringia and the Hansa-towns) establishes this system of general access to the courts (so-called "Generalklausel"). The other judicial systems are characterised by a mixture of this general clause and of the enumeration of special so-called "Enumerativsysteme." The general accessibility to the courts is granted for certain species of claims. For instance, such is the Prussian regulation about claims against police regulations and assessments to Local Government taxation. As far as such clauses are not provided, access to the courts is only granted if the single claim is explicitly admitted. The laws, therefore, contain a very complicated catalogue of such competences, e.g. against orders arising out of housing law, highways, concessions, and so on.

It appears without further deduction that as far as this last system exists there is only a very small limited protection of public law and public rights. As a matter of fact, the newer legislation investing the Executive with new powers usually grants a claim. But this rule is not without exception. And especially since there was during the war and the first after-war years a large amount of "delegated legislation," mainly by the Executive's issue of Statutory Rules and Orders, which established new administrative powers, this did not by the same order and rules grant access to the Administrative Courts. This practice caused great grievance and principally by reason of these events a strong feeling exists among the population that the general clause should be universally introduced.

VI

I have occasionally mentioned in this paper criticisms and complaints, which the public raise about the constitution and powers of the Administrative Courts. But that applies only to certain details. The legal mind of Germany wants an improvement in conformity with the constitution of the ordinary courts, and the introduction of the supra-mentioned "Generalklausel." And I myself wish also to plead here the case for such a step. Nevertheless, with the system as a whole, we are satisfied. The Administrative Courts are very popular. This opinion is based on the fact that they deliver very good judgments and that they perform a considerable amount of work for the development of public law and for the protection of the citizen. A good many reforms may be necessary before their constitution is completely in accord with modern legal thought. But these reforms will not touch upon the general lines or the roots of the system.

The Genesis of Bank Deposits

By W. F. CRICK, B.Com.

(*Sir Ernest Cassel Travelling Scholar, 1922*)

FROM time to time there crops up with renewed fury a confused and confusing controversy as to the powers of the banks, as the saying is, to "create credit." To a large extent it is a battle of mere words, arising out of over-simplification of monetary theory into bald, unaccompanied statements such as that "every bank loan creates a deposit." A dictum like this, standing alone, has just as much scientific value, and no more, as David's exclamation, in the heat of the moment, that "all men are liars," or the cynical generalisation that no woman knows her own mind. As a verbal embodiment of accounting practice it is perfectly true, but as a contribution to monetary theory it is valueless unless accompanied by its converse, that every repayment of a loan destroys a deposit, and that in consequence the extension of a loan to repay another already outstanding neither adds to nor subtracts from the total of bank deposits. Disregard of this fairly obvious fact is responsible for much misunderstanding and is typical of the basic misconceptions of meaning which give rise to interminable and unconvincing argument. The true centre of any inquiry into the question whether the banks are able, and if so within what limits, if any, to expand or contract deposits is the relations, arithmetic and causal, between bank cash and deposits. Bank cash for this purpose comprises currency held by the banks, together with the balances to their credit at the Bank of England, while bank deposits include all the funds held by the banks to the credit of customers, whether withdrawable on demand or at an agreed period of notice, a distinction, by the way, which in practice has very little force. Any attempt to arrive at the truth in this investigation must proceed by way of the known practical and statistical facts to provide a solution to the problem of the relationships between bank cash and deposits.

The general stability of cash ratios is too well known to need detailed demonstration. The returns published by the banks are monthly averages of figures taken out on a particular day in each week. Probably the ratio of cash to deposits varies somewhat from day to day; probably too the ratios of which the published figures are averages differ appreciably. We know that the monthly

figures vary fractionally, and in the case of some banks at the turn of the half-year, very substantially. Nevertheless, they reveal a degree of steadiness which is obviously much more than accidental. They are, indeed, the result of attempts by each individual bank to adhere to its own particular standard in this matter of the ratio of cash to deposit liabilities. From this relative stability, which applies even more to the banks as a whole than to most of the individual institutions, there are two alternative inferences, one of which must be true, the other false; either changes in the amount of cash available to the banks must bring about multiple changes in the amount of bank deposits; or, if this is not true, then variations in the volume of bank deposits must give rise to proportionate, but smaller, variations in the volume of bank cash. If the first inference be accepted it means that an addition of $\pounds x$ to bank cash results in an addition of $\pounds(x \times a)$ to bank deposits; if the second, a decline of $\pounds y$ in bank deposits gives rise to a fall of $\pounds \frac{y}{a}$ in bank cash; the relatively stable ratio between cash and deposits being represented by a . It is easy to say in reply that the question admits "no possible, probable shadow of doubt," but unfortunately that statement provides no convincing solution of the problem, which of these two inferences is correct.

If all the banks be considered together, the question may best be answered by asking and answering a second: What determines the amount of bank cash available to the banks? To assume no change in public habits, and therefore no change of more than transitory duration in the relative amount of currency in active circulation, does not in any way invalidate a discussion of the causes of relatively short-term variations in the volume of bank cash, under conditions of ordinary public confidence in the banks. For the sake of completeness, moreover, it may be noted that if a bank desires to increase its currency holding it can only do so by drawing on its balance at the Bank of England, so that the aggregate of bank cash is unaffected, unless the central bank takes steps, by extending its loans or investments, to make up the aggregate of joint stock bank balances with itself to the level before the addition to currency holdings took place. If, however, gold flows into the Bank of England there is an immediate or almost immediate addition to bank cash. The gold rarely reaches the Bank through a joint stock bank, but even so it is paid in by someone who either keeps his account at a joint stock bank, where by contrast with the Bank of England he may receive interest on

his balance, or who shortly passes on the proceeds of the sale, namely a credit at the Bank of England, to someone who does keep such an account. Very soon, therefore, if not at once, an addition to the Bank's stock of gold adds to the available supply of bank cash. But this again assumes that the Bank does not choose to counteract the addition to bank cash by selling bills or securities or reducing its loans.

Consequently the volume of bank cash is determined, over relatively short periods, not by the public, nor by the joint stock banks, not merely by gold movements, but ultimately by the actions of the Bank of England.¹ According as it expands its loans or buys additional securities on the one hand or calls in loans or sells securities on the other, so it counteracts, reinforces or indeed ignores altogether the inflow, outflow or no flow of gold. There is nothing new in this. The Bank had precisely this power before the war, though perhaps it used it less. Since the war it has used it more—on the whole with benefit—though the consequence is that the Bank of England's ratio of reserve to liabilities is much more variable than in the case of the joint stock banks. It is important to note that so long as the budget is balanced by revenue or the proceeds of actual savings, even the Government has little if any direct control over the supply of bank cash, except for very short periods. It is a function almost exclusively in the hands of the Bank of England.² The central institution cannot determine the distribution of the existing amount of cash between the banks, but it can and does determine the total amount outstanding at any particular time.

If, then, the volume of bank cash is determined by the actions of the Bank of England, what in turn determines the direction of these acts? To some extent the Bank's actions are controlled by statute, for it is bound by law to buy or sell gold at fixed prices; to some extent by custom, for it is always ready to discount customers' bills at a rate fixed by itself. But over and above these requirements, either emphasising or neutralising their effects, is the policy of the Bank. And this is determined by reference to a variety of considerations, among them the desire to earn a profit, the ratio of reserve to liabilities, the situation in the money market, the state of the foreign exchanges, and the

¹ For detailed argument leading to this conclusion, see the speech delivered by the Chairman of the Midland Bank Ltd. at the Annual Meeting of Shareholders, January 28th, 1927.

² For statistical, as well as theoretical, argument on this point, see *Midland Bank Monthly Review*, March–April, 1926, and for parallel argument applied to the United States see the same journal, May–June, 1924, and Benjamin Anderson in the *Chase Economic Bulletin*, November 8th, 1926.

general conditions of business. There is certainly no definite and direct relation of cause and effect between the deposits of the banks as a whole and the policy behind the actions of the central institution. Consequently the second alternative inference is ruled out, and we are left with the first, namely, that changes in the volume of bank cash result in multiple changes in the volume of deposits.

The acceptability of this conclusion is not merely a matter of reasoning. It can be arithmetically demonstrated and in addition can be reinforced by consideration of actual banking processes. First the arithmetic—and here we shall necessarily be somewhat dull and perhaps a little abstruse. It is the extraordinary side of truth which is stranger than fiction: commonplace truth is anything but exciting, and not always entertaining. For the purpose of the argument we need no such artificial supposition as the existence of a solitary bank. We may, however, make certain simplifications which will be seen in no way to invalidate nor even weaken the argument. We will assume the existence of five banks of equal size in point of deposits, each working to the same ratio of cash to deposits. Let us suppose each has £300 millions of deposits and works to a ratio of 10 per cent. Imagine that for some reason or other Bank A receives an addition of £1 million to its cash. It may be, for example, that gold has flowed into the country through a customer of Bank A and that the Bank of England sees no reason for neutralising the increase in its deposits. Bank A's position now is, deposits £301 millions, cash £31 millions, so that its ratio has risen to 10·3. Seeing, however, that its standard ratio is 10, it will be justified in increasing its earning assets at the expense of its cash. What are the possible courses open to it, and what is the result in each case?

Bank A may, in the first place, buy securities. If it buys them from one of its own customers there is no loss of cash, while deposits and investments are raised by an equal amount. But the chances are four to one against the seller of the security being its own customer, so that the purchase probably involves an increase in investments and an equal decrease in cash, deposits being unaffected. Precisely the same holds true if the bank goes into the market and buys bills—the effect will depend upon whether the seller of the bills is a customer of the bank or not. As a third possibility, the bank may increase its overdraft facilities, and in this case there is no effect on its balance sheet until the account is drawn on. When this happens, if the money

is paid away to a non-customer there is an increase in loans and advances and an equal decrease in cash, with no change in deposits; if the money is paid to a customer there is an increase in loans and advances and an equal increase in deposits, with no change in cash. If, fourthly, the bank grants new loans, then loans and advances on the one hand and deposits on the other are immediately written up by the same amount, and only when a part or the whole of the loan is paid away to a non-customer is there any reduction in cash, which is accompanied by an equal fall in deposits.

Now two important facts emerge from this analysis. First, even if the policy of the bank renders likely an immediate loss of cash, it is improbable that an amount of cash equal to the full amount or purchase price of all the new earning assets will be removed to other banks. Secondly, if the bank extends new loans (as opposed to allowing new overdrafts) there is likely to be some delay in the loss of cash. It follows that the bank can lend or buy bills or investments to an amount in excess of the new cash received. If it were likely immediately to lose cash to the full extent of its loans or purchases it could only lend or spend £900,000, retaining £100,000 of the newly acquired cash. But as such a result is not likely, the spending or lending of £900,000 only will leave it with more than £100,000 of cash, and therefore a higher ratio than it regards as necessary. The probability is that the bank will lose an amount of its new cash not exceeding four-fifths of the amount of new loans or purchases. Consequently if it lends a full £1 million it will still presumably have £30·2 millions of cash. Its deposits, immediately upon making the new loans or buying the new assets, will be raised by £1 million, but at the same time £800,000 of this initial increase will be lost, with an equal loss in cash. Deposits will therefore be £301·2 and the ratio 10·03, which is still above the prescribed proportion. Consequently Bank A, when it receives an extra £1 million of cash, may with comparative safety increase its earning assets by over £1 million and at the same time effect a small net addition to its own deposits.

For simplicity's sake, however, let us limit A's new loans and purchases to £1 million. We have seen that by lending or spending this amount it loses £800,000 of cash, and this sum, together with £800,000 of new deposits, passes to the other four banks. So far, then, the new cash has added £1,200,000 to the deposits of Bank A and £800,000 to those of the other banks—already a twofold addition to deposits as a whole. Assuming the four banks share equally, each has £300·2 millions of deposits, £30·2 millions of

cash, and a ratio of 10.06. Each is therefore faced with the possibility of increasing its earning assets. But the important point is that as all five banks are doing the same thing there will be no net loss of cash to anyone, for what B loses to C, D may lose to B, and so on. It may here be objected that in practice the banker cannot know this.¹ True, he may not at the outset, but it is quite obvious that he will get to know very soon after the first tentative steps have been taken, with no loss of cash, and with the ratio still as a consequence above the standard. In the course of a short time each of the four banks will find it possible to spend or lend £1,800,000, for what is the result to each bank? Cash remains stationary at £30.2 millions, earning assets are up £1,800,000, and deposits, since the banks pay by means of cheques on themselves, are up in the aggregate £2 millions, restoring the ratio to 10 per cent. In the meantime A will have found it possible to continue expanding its earning assets without the maximum loss of cash, so that it too will be in the same position as the other four banks.

The final result of the addition of £1 million to the reserves of Bank A is thus achieved by a cumulative process, acting and reacting through all five banks. The cash has been distributed between them and they have, merely by working to a regular ratio, added £10 millions to their aggregate deposits and £9 millions to their earning assets. This they have done by a process of lending or spending in the faith and, indeed, knowledge that they will not suffer a commensurate loss of cash.

Without repeating the argument step by step, it is obvious that the opposite process is equally capable of arithmetic demonstration. If bank cash is curtailed, then so long as regular ratios are adhered to, deposits must fall by a multiple amount, in the case we have taken, by ten times the loss in cash. In both cases, with ratios consistently maintained—as they usually are in fact—changes in the volume of bank cash produce changes of multiple scope in bank deposits. The important point, which is responsible for much of the controversy and most of the misunderstanding, is that while one bank receiving an addition to its cash cannot forthwith undertake a full multiple addition to its own deposits, yet the cumulative effect of the additional cash is to produce a full multiple addition to the deposits of all the banks as a whole.

¹ This seems to be the gist of the objection voiced by the Chairman of Lloyds Bank Ltd. at the Annual Meeting of Shareholders, February 4th, 1927. The argument following in the letterpress, however, is entirely overlooked.

We may now leave the debating society and the class-room and enter the bank parlour, for the sceptical reader may still have doubts as to the practical facts of the case.

Perhaps the best way of following the sequence of events is by considering the position of a banker faced at the outset of a day's work with the necessity of deciding what policy he must adopt during the day towards the utilisation of his bank's resources and the applications for loans which will probably make their appearance. What are the facts before him? Little more than the precise state of affairs at the close of the previous day's business, with a few general but extremely uncertain indicators of what the immediate future has in store. He knows what amount of loans was outstanding at the close of business the previous evening. He knows what was the extent of the other earning assets, of his customers' deposits, and of the cash held against them. On the other hand, he knows very little of what will happen during the day, which is just what would be of the greatest assistance. He does not know what amount of deposits will be drawn off and therefore the extent of the demands to be presented for cash; he does not know what amount of loans will be repaid nor how far overdrafts will be increased. Consequently, although he can place an accurate figure on the bills falling due on this particular day, he cannot foresee with precision what his position will be at the close of business, apart altogether from new loan and investment transactions. To make the argument clearer, let us assume our banker has made up his mind to grant no fresh loans, to buy or sell no investments, to discount no further bills, and to enter into no new engagements during this particular day. We may now tabulate his knowledge thus, placing an affirmative opposite those items the exact extent of which at the end of the day he can forecast with accuracy, and a negative against those the movements in which during a single day, quite apart from any action of his own, no amount of prescience can foresee:

Capital and Reserve ..	Yes	Premises ..	..	Yes
Deposits	No	Acceptances, etc. ..	..	Yes
Acceptances, etc. ..	Yes	Investments ..	..	Yes
		Advances and loans of		
		all kinds ..	..	No
		Bills ..	..	Yes
		Cash ..	..	No
Total	?	Total	?	

Obviously we cannot say, with Omar, "He knows about it all; he knows; he knows." The vital figures are those he knows least about, and the proportion of cash to deposits at which he is aiming may be jeopardised by an infinity of unexpected occurrences. How much more impossible, then, to foresee his position when, as he must be, he is called on to make new loans and to shape his assets policy with a view to earning the maximum income consonant with safety! Clearly he must always be at least a day late with his data. For the rest he must rely on judgment—an elusive term, but a very real quality, which distinguishes the banker from the gambler.

Now for a practical case. Our banker, let us say, sets a ratio of $12\frac{1}{2}$ per cent. as his cash objective. At the close of business on Tuesday the ratio of cash to deposits is found to be 14 per cent. He knows how much is falling due the next day on bills, to reinforce still further his cash reserves. He knows the bill market is lively and will want to borrow money. He knows of nothing to suggest heavy withdrawals of cash during the next day. What then will be his policy on Wednesday? Clearly he is losing profit by holding a cash ratio $1\frac{1}{2}$ per cent. higher than he need. His decisions will therefore be affected by the desire to increase earning assets, so that he will be inclined to view loan applications more liberally. But the cash ratio is not the only proportionate figure to be watched. For liquidity's sake he must maintain more or less regular and well-established proportions of the various kinds of assets to the whole. Consequently he will not merely extend loans on all hands. He will probably buy some bills, thus replacing and perhaps more than replacing those falling due. He will lend more at short term, for the liveliness in the bill market gives him good rates of return. All this will be in addition to granting increased accommodation to those customers asking for advances or higher limits of overdraft. Finally, if there is no keen demand for loans, it may be held desirable to increase the bank's holdings of long-term investments. In all these various ways, as already explained, it is open to the banker, by increasing his assets, to effect the addition to his own or another bank's deposits which his relatively high cash holding appears large enough to support.

But suppose our banker's judgment is not of the best, or that it is one of his unlucky days. For some unknown reason the demands for encashment of deposits are unusually large, while at the same time customers enjoying overdraft facilities draw unexpectedly heavily on their accounts. The result is a dual depletion of cash. Each pound drawn off in cash effects at most only

an equal absolute reduction in deposits, which are already seven or eight times as large as the basis of redeemability. In the case of an overdraft there is no reduction at all in deposits, though there may be in cash. But, in addition, the expansion in loans tends to bring about an increase in deposits more than offsetting the decline due to withdrawals of cash. As a result of these movements the ratio falls, let us say, to 11 per cent. What happens on Thursday morning? The banker obviously cannot lay his hands on quantities of currency outside the bank and add them to his cash reserves. And although the cheques drawn on his bank and presented at the clearing may be exceeded by his countervailing claims on other banks, he cannot expect much reinforcement from that source. If he considers the movements of yesterday likely to persist he may sell investments. He will be most unlikely to sell bills, for that, according to British banking tradition, would be regarded as a sign of weakness. He will, however, most certainly refrain from instructing his brokers to buy bills in the open market. Further, he may seek to deter borrowers of all kinds by raising his charges for loans, or may harden his heart in dealing with current applications. He may even call in short-term loans already outstanding. In one, some, or all of these various ways the banker will seek to reduce his earning assets and concurrently to add to his cash at the expense of other banks or reduce his liabilities on account of deposits. If his judgment is correct and his plans well laid, in the absence of any extraordinary occurrences like a panic demand for cash, his traditional ratio will be restored.

What now is the moral of the story? It is just this: that the banker has his ideal of liquidity combined with profit-earning capacity. His ratios are a golden legend, inscribed in gleaming figures around the facts of yesterday's position. His knowledge is mainly of the immediate past; he knows with certainty little of the present, still less of the proximate future. He must rely on his experience and judgment to bring his day's-end figures into conformity with the golden numerals of his ideal. The guiding influence in the exercise of his faculties is provided by his latest known ratios, particularly that of his cash to deposits. But deposits are the adjustable item; cash is a matter very largely of chance or of policy outside his control. Through earning assets the banker contracts or expands his liabilities. Through the banker's balance sheet and the banker's judgment is exerted the ultimate power of cash to determine the scope of deposits. In this indirect but vital way it is cash that controls deposits. But the controlling power of cash is dependent on the skill, the clear-

sightedness and the discrimination of the practical banker. An incapable, still more an unscrupulous, banker might upset the whole complicated scheme of relationships and throw sand in the monetary machine. Small wonder that irresponsibility and intellectual fatuity seldom if ever find their way into the highest seats of the oligarchy of banking!

We see, then, that cash relies for the effectiveness of the control it exercises over deposits upon the stability of the ratios adopted by the banks as part of their policy, and upon the success attending their efforts to maintain them. Up to the present we have assumed no change in bank policies, but let us suppose that Bank A decides that, having hitherto maintained a cash ratio of 10 per cent., it will be on the safe side in allowing the figure to run down and adopting in its place a level of 8 per cent. Starting from the same data as in the example already set out, the bank may lend or spend £6 millions with safety, knowing that as a result of its action it cannot lose more than £6 millions in cash and will probably lose less. Taking the extreme view, and supposing it loses the whole, its deposits remain at £300 millions, its cash is reduced to £24 millions, and earning assets are increased £6 millions. But bank cash as a whole is absolutely unaffected, so that the other banks each receive £1½ millions, plus £1½ millions of new deposits. Their ratio being raised, they may restore it by lending or spending £13½ millions, without any loss of cash, thus adding £13½ millions to their deposits. Each has now £315 millions of deposits and £31½ millions of cash, with a ratio of 10 per cent. In other words, the change of policy on the part of one bank has added £60 millions to bank deposits as a whole, so that in this case deposits have been controlled, not by a change in the volume of bank cash, but by a change in the ratio maintained by one bank. The example, none the less, reinforces the theory that, subject to bank policy and practical adherence thereto, it is cash that controls deposits.

This is true in particular because as a fact banks rarely change their policies in the matter of cash ratios, and because as a matter of record they adhere quite closely to the figures they adopt. It follows that changes in bank cash are the cause of inflationary and deflationary movements, for there is no guarantee that bank cash, and with it bank deposits, will expand or contract according to the volume of business being currently transacted. Finally, seeing that the volume of bank cash depends on Bank of England policy, the central bank alone, in present conditions, is responsible for any tendency towards inflation or deflation, by which we mean any tendency towards expansion or restriction of the volume of

money as related to the volume of business and the current rapidity of circulation. The Treasury, although it has the power of note issue, has nothing whatever to do with the determination of the quantity of bank cash or deposits as long as it neither forces the Bank of England constantly to lend to the Government nor to receive repayment of outstanding loans.¹ The banks, moreover, act as the vehicles of Bank of England policy, by the process of lending or calling in loans and buying or selling bills and investments, without any powers of note issue whatever. The possession or lack of such powers is quite irrelevant to the discussion.

Summing up, then, it is clear—or at least we must hope so—that the banks, so long as they maintain steady ratios of cash to deposits, are merely passive agents of Bank of England policy, as far as the volume of money in the form of credit is concerned. The proviso being substantially true, so therefore is the principal statement. If the Bank of England were to maintain a steady ratio of reserve to liabilities of the Banking Department, then gold movements would determine the volume of money in the form of bank deposits. The proviso being obviously untrue, except in a minor degree, the major statement is also untrue. The Bank of England is therefore the controller of money supplies. The banks, except for short periods and so long as no permanent change in cash ratios is effected, have very little scope for policy in the matter of expansion or contraction of deposits, though they have in the matter of disposition of resources between loans, investments and other assets. But this is not to say that the banks cannot and do not effect multiple additions to or subtractions from deposits as a whole on the basis of an expansion of or contraction in bank cash. To say that a bank cannot in practice “create” deposits to an indefinite extent is one thing; to say it cannot “create” deposits at all is another. The first assertion is true because a bank cannot make an addition at will to its own cash reserves without reducing its earning assets, while it feels it must conform to a regular ratio. The second is untrue, because we know as a fact that an addition to bank cash is accompanied, or closely followed by, a multiple addition to deposits, which cannot be attributed to any other cause but action by the banks.

¹ The Chairman of the Westminster Bank Ltd. appears to hold a precisely opposite view. See article in the *Westminster Bank Review*, November, 1926, and Speech to the Annual Meeting of Shareholders, January 27th, 1927, where the rise of £14 millions in the Bank's deposits over the previous year is attributed to increased saving. It would be interesting to know whether the decline of £9 millions registered by the February, 1926, figures, as compared with those for the previous month, was due to the reverse process, namely, customers drawing on savings.

All of which may seem unnecessarily lengthy as an exposition of accounting and statistical fact, but all of which goes to prove what a flexible instrument is our mother tongue. To some minds the idea of "creating" anything is both objectionable and absurd, but disagreement on matters of terminology should not blind us to the relations, in sequence and amount, between the volume of bank credit outstanding and the quantity of bank cash held against it.

January, 1927.

Some Aspects of the History and Theory of Social Insurance

By ALFRED PLUMMER.

SCHEMES of Social Insurance may be entirely voluntary, or partly compulsory, or entirely compulsory. It may be that all the persons contemplated by the scheme are advised to join, but no one is compelled; or, on the other hand, the law may compel everyone to participate. Between these extremes there lies the type of scheme membership of which is compulsory for persons in certain categories, but optional for others.

Another classification may be made according to the source or sources from which the funds are derived. Thus there may be:

- (a) Schemes entirely supported by the funds subscribed by those who are eligible to receive benefits from them;
- (b) Schemes supported as in (a), plus any voluntary subscriptions that may be received from persons who are interested in the success of the experiment;
- (c) Schemes supported out of funds subscribed jointly by insured persons and non-insured persons who are compelled to subscribe, e.g. employers;
- (d) Schemes supported as in (c), but with the addition of financial assistance from the State;
- (e) Schemes jointly financed by non-insured persons who are compelled to subscribe, and the State; and
- (f) Schemes entirely financed by the State.

The early history of the theory of social insurance contains no proposal for a scheme based upon contributions from employers, workpeople and the State. As far as I have been able to discover, the plans suggested were intended to be either entirely State-supported or, on the other hand, entirely supported by the insured persons. The *composite* social insurance premium, or contribution, of the type that exists in this country to-day, appears to be a quite modern feature. There was, however, in 1817, a proposal which bears some resemblance to it. A certain Mr. Curwen viewed with great apprehension the increase in the

expenditure upon poor relief in the second decade of the nineteenth century, and regarded the incidence of the poor rates as most unsatisfactory and likely to produce serious economic consequences among the classes upon which, he said, the burden chiefly fell, namely, "the agricultural and commercial interests." For the nation's good Mr. Curwen thought that some reorganisation was imperative, and proposed that poor rates should in future be raised by a tax upon the incomes arising from different sources, not excluding those gained by manual labour. He suggested that incomes arising from land should pay a tax of $12\frac{1}{2}$ per cent.; those arising from stock-in-trade, personal property and the public funds, 10 per cent.; while the working classes should be required to make "a small weekly sacrifice of $2\frac{1}{2}$ per cent. on the produce of their labour." The fund so raised was to be used for the relief of the poor.¹

A pensions scheme, to be entirely financed by the payments of those who wished to benefit under it, was proposed as early as 1772. In the House of Commons on December 11 of that year, Mr. Dowdeswell introduced Baron Maseres's plan for parochial annuities for the working classes.² Its object was "to encourage the lower ranks of people to industry and frugality, by laying before them a safe and easy method of employing some part of the money they could save out of their wages, or daily earnings, in a manner that would be most strikingly for their benefit." The scheme, which was not compulsory, proposed that in every parish in which there were two or more overseers of the poor and two churchwardens, the ratepayers were to be made a body corporate, with powers to grant deferred annuities not exceeding £20 per annum, to commence in the case of men at the age of fifty, but in the case of women (owing to their greater liability to the "casualties" of life) at the age of thirty-five. The sums paid for such annuities were to be invested in the public funds, "there to accumulate at compound interest," and the contributors were to have the security of the local rates in addition to that of the public funds. The table of annuities and their prices was worked out by Baron Maseres upon correct principles and with mathematical skill. The scheme was founded upon the average duration of life, the basis of all other annuities. But owing to the fact that the smallest payment that could be made was £5, it was ill-suited to the conditions of working-class life. The Bill embodying the details was passed by the Commons, but failed to pass the Lords.

¹ *Hansard*, Vol. XXXIV, p. 878; and Vol. XXXV, pp. 506 *et seq.*

² *Hansard*, Vol. XVII (1771-4), pp. 640-2.

Another plan, *which contained some compulsory provisions*, was put forward in 1786 by Mr. Acland, who proposed that an association in the nature of a universal friendly society should be set up by Act of Parliament, so that all persons might, by contributing at certain prescribed rates, assure for themselves an income in times of sickness, infirmity and old age. Membership of the society was to be compulsory for all persons between the ages of 21 and 30, who were to subscribe as follows :

<i>Earnings.</i>	<i>Contribution.</i>
Labourers earning 10d. a day, or	} 2d. a week.
Man-servants having 1s. 6d. a week, or £4 a year	
Females earning 1s. 3d. a week, or £3 a year ..	1½d. ..

Higher contributions could be paid at the option of the member. Moreover, the scheme provided that " All persons possessed of freehold, or leasehold, estates to the amount of £10 a year, and upwards, shall be obliged to contribute in the following manner : "

Males : Any sum between 1s. and 2s. a week.

Females : Any sum between 1½d. and 1s. a week.

" All persons likewise shall be permitted, but not compelled to subscribe, from thirty to fifty (years of age), that are in perfect health, and will pay one year's subscription by way of entrance-money, together with the addition of one shilling for every year complete that they shall, at their entrance, exceed thirty."

A similar option was given to persons disabled by accident or infirmity ; or being married and having one or more children.

The benefits of Acland's scheme varied according to the amount of the contribution, but not in strict proportion. The details were so arranged as to give the best bargain to the poorest contributors. For the minimum subscription of 1½d. a week

" . . . every female subscriber, during any time that she shall, by sickness, or any other affliction (not brought on by any unlawful action) be confined to her room, and be incapable of labour, shall receive 4s. a week ; and for any subsequent time that she shall be incapable of earning 3d. a day (in the estimation of the minister, church-wardens, and overseers of the Poor, assisted by the parish apothecary,) she shall receive 2s. a week during her incapacity ; and after the age of sixty-five, 10½d. a week, till seventy ; and, after that period, or any time before, that the above-mentioned persons think her incapable of earning 3d. a day, the weekly sum of 1s. 4½d. :

and after seventy-five, or any time before that she is adjudged to be incapable of labour, 3s. a week, during life : and for every legitimate child more than two that shall be alive at the same time, and be under eight years of age, she shall, in her own right, be entitled to the weekly sum of 1s."

The scale of proposed "benefits" for contributions ranging from 2d. to 1s. a week may be seen on the accompanying table.

Eden tells us that Acland's scheme "received the approbation of that able calculator and philanthropist Dr. Price."¹ But John Howlett criticised the scheme on the following grounds :²

1. That the assumptions (as to sickness rates, etc.) upon which the scale of benefits was based, were not supported by any evidence ;
2. "That this promised future income, instead of sharpening the spur to industry, will only blunt it : "
3. That no provision is made in the scheme for rises in the cost of living.

But Howlett seems to have lost sight of the fact that objections 2 and 3 could have been applied just as well to the ordinary Friendly Societies of the time ; institutions of which he speaks in terms of approval.

ACLAND'S SCHEME (1786).

SCHEDULE OF CONTRIBUTIONS AND BENEFITS.

The Sub-scriber of (weekly)	Shall be entitled to receive weekly :					
	In the 1st instance, bed-lying pay	In the 2nd instance, walking pay	In the 3rd instance, ditto for more than 2 children	In the 4th instance, 65 years of age	In the 5th instance, 70 years of age	In the 6th instance, 75 years of age
s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
0 1½	4 0	2 0	1 0	0 10½	1 4½	3 0
0 2	6 0	3 0	1 4½	1 0	1 7½	3 6
0 3	7 6	3 6	1 7½	1 1½	1 9	4 0
0 4	8 6	3 9	1 9	1 3	1 10	4 4½
0 5	9 0	4 0	1 10	1 4	1 11	4 9
0 6	9 4½	4 3	1 11	1 5	2 0	5 0
0 7	9 9	4 6	2 0	1 6	2 1	5 3
0 8	10 0	4 7½	2 1	1 7	2 2	5 6
0 9	10 3	4 9	2 2	1 8	2 3	5 9
0 10	10 6	4 10½	2 3	1 9	2 4	6 0
0 11	10 9	4 11	2 4½	1 10	2 5	6 3
1 0	11 0	5 0	2 5	1 11	2 6	6 6

¹ Sir F. Eden, *The State of the Poor* (1797), Vol. I, pp. 373-382. It may be remarked, incidentally, that Dr. Price was not infrequently wrong in his calculations.

² Pamphlet, *The Insufficiency of the Causes to which the Increase of our Poor and of the Poor's Rates have been ascribed* (1788).

At the close of 1796 an elaborate Bill was introduced into Parliament.¹ It embodied Pitt's views on poor law reform, together with some of Acland's proposals; but it was a very complicated measure, and failed to obtain sufficient support in the House.²

During the same decade Tom Paine—one of the most advanced political thinkers of that age—produced proposals for a kind of *non-contributory* social insurance scheme. While Cobbett was loud in his denunciation of the bad landlords, and in his complaints that machinery had degraded the workers, Paine was more practical and constructive, and advocated (*inter alia*) old age pensions and the endowment of motherhood.³

In Part II of his *Rights of Man*, Paine proposed to abolish the poor rates entirely, and in lieu of relief under the poor laws he suggested the "remission of taxes to the poor of double the amount of the . . . poor-rates, viz. four millions annually out of the surplus taxes." Paine emphasises the fact that the poor are usually those with large families of young children, or old persons who are no longer able to work. Provide for these two classes and the residue of the problem will "fall within the compass of benefit clubs, which, though of humble invention, merit to be ranked among the best of modern institutions."⁴ To every poor family Paine proposed to pay "out of the surplus taxes" £4 a year for every child under 14 years of age, "enjoining the parents of such children to send them to school, to learn reading, writing, and common arithmetic."⁵ The ministers of every parish were to see that this was done. Thus, said Paine, the parents' poverty would be relieved, their children's ignorance would vanish, while the numbers of poor persons would gradually diminish in consequence.

Paine estimated that this provision for poor families would cost the Exchequer £2,520,000 per annum, and it would be interesting to test the accuracy of this estimate. But owing to the vagueness of the expression "poor family," this is impossible. A similar difficulty arose regarding the term "family" in taking the first Census in 1801. The returns had to be made by the clergy, but they were not told by the census officials exactly what was to be taken to constitute a "family," with the result that the question—Number of Inhabited Houses: by how many families occupied—presented considerable difficulty, and produced doubtful answers.⁶ A comparison of the Income Tax Returns of 1801

¹ *Hansard*, Vol. XXVII, p. 1405.

² Nicholls, *Hist. of the Eng. Poor Law*, Vol. II, p. 121; also Eden, *op. cit.*, Appendix II.

³ Cf. Kingsley Martin, *Thomas Paine*, p. 3.

⁴ *Rights of Man* (Everyman Edn.), p. 247.

⁵ *Ibid.*, p. 248.

⁶ Cf. Orlo Williams, *Life and Letters of John Rickman*, p. 41.

with the Census Returns for the same year shows that nearly $8\frac{1}{2}$ millions of persons, out of a total population of approximately 9 millions, were in receipt of incomes of less than £60 per annum,¹ and, taking into account the high wheat prices, this suggests that there was a high percentage of "poor families" in Paine's day. Beyond this it is impossible to go. It is true that the Enumeration Summary of the Census of 1801 gives a total of 1,896,723 families in England and Wales,² but we have no means of knowing how many of these would have been deemed poor enough to receive assistance under Paine's scheme, or the average number of children under 14 such "poor families" would have contained.

Paine next turns to the case of the aged. Among the working classes, he says, old age begins at sixty, but between fifty and sixty its approach diminishes a person's bodily powers. Therefore, the manual worker often earns less after he has passed the age of fifty. So far, so good. But when Paine begins to go into matters of detail he is clearly hampered by lack of statistical data. As a result of *observations made "several times" in the streets*, he arrives at an estimate of 420,000 persons in England over 50 years of age at that date; one-third of whom, he thinks, might need support. He then assumes that of this group of 140,000 elderly persons, one-half would be between 50 and 60 years of age, and the other half upwards of 60. The probability is that the second group would be rather larger than the first, for the higher death rates for ages after 60 would be more than counter-balanced by the fact that the second group would contain persons between the ages of 61 and, say, 100.³ Paine's estimate was :

" Seventy thousand persons, at £6 per annum . .	£420,000
Seventy thousand persons, at £10 per annum	£700,000
	£1,120,000."

¹ Sir Josiah Stamp, *British Incomes and Property*, p. 514.

² *Accounts and Papers* (1802).

³ Cf. Census Returns for 1821; *Accounts and Papers* (1822). These are the earliest reliable statistics of the age distribution of the population. For Rickman's calculations of mortality rates at various ages for the years 1813-31, see Porter, *Progress of the Nation*, chap. 1.

The further argument which Paine brings to the support of his proposal is curious. "Every person in England," he says, "male and female, pays on an average in taxes" £2 8s. 6d. p. ann. from the day of his (or her) birth; or, if the expenses of collection be added, £2 11s. 6d. : or, at the end of fifty years, £128 15s. If this sum be converted into a tontine, the pensions that he proposed would be "but little more than the legal interest of the nett money he (the working man) has paid."

But one may well ask—Can figures based upon occasional observations in the streets be trusted? In order to test Paine's estimate it is necessary to work backwards from the Census Returns of 1821. In that year the number of persons in England whose ages were recorded was 9,830,461, which was a substantial proportion of the total population of 11,261,437. The number of persons upwards of fifty years of age was 1,379,377, or a little more than 14 per cent. of the total number included in the returns. For our present purpose we may ignore such minor changes in the age distribution as would be caused by changes in the birth and death rates between, say, 1796 and 1821, and apply the results obtained above to the population as it stood in Paine's day. John Rickman estimated that the population of England and Wales in 1795 was 9,055,000.¹ Finlaison's estimate was (in round figures) 8,540,000 in 1790, and 9,187,000 in 1800 :² while the Census of 1801 gave an aggregate of 8,872,980 persons,³ but was later corrected by Rickman to allow for absentees, etc., to 9,168,000. Since Paine speaks only of England, we must deduct the population of Wales, which was approximately 541,000 at the end of the eighteenth century. Therefore we may, with considerable confidence, take $8\frac{1}{2}$ millions as the population of England at that date : but Paine estimated it to be 7 millions only.⁴ Now 14 per cent. of $8\frac{1}{2}$ millions is 1,190,000, which is nearly three times the number upon which Paine based his calculations.

In addition to assistance for poor families and pensions for the aged, Paine proposed that the State should provide maternity donations, marriage gifts, and allowances to cover "the funeral expenses of persons, who, travelling for work, may die at a distance from their friends. By relieving parishes from this charge, the sick stranger will be better treated." Here Paine's calculations are made on better foundations. "There are (he says) about two hundred thousand births yearly in England, and if claimed, by one fourth,

The amount would be £50,000.

And twenty shillings to every new-married couple who should claim in like manner. This would not exceed the sum of £20,000."

Dr. Francis Bisset Hawkins gives the following birth and marriage rates for the year 1801 :⁵

¹ *Observations on the 1801 Census*, p. 9. Rickman afterwards revised his estimate to 8,655,000.

² Porter, *op. cit.*, chap. 1.

³ *Accounts and Papers*, Vol. XV (1822), p. viii.

⁴ *Rights of Man*, p. 247.

⁵ *Elements of Medical Statistics* (1829), p. 227.

Proportion of Births to Population, 1 to 34·8 (i.e. 28·7 per 1,000).

Proportion of Marriages to Population, 1 to 123 (i.e. 8·1 per 1,000).

Assuming that these figures are reasonably accurate, the total number of births per annum in a population of some 8½ millions would be approximately 244,000. The number of recorded births in 1801 in England and Wales was 237,029.¹ For England alone, Porter gives the average annual proportion of baptisms and marriages to population for the five years 1796-1800 as :

Baptisms	..	..	..	..	..	1 in 36.
Marriages	..	..	..	..	..	1 in 123.

The figure for baptisms would naturally be lower than that for births since not all the children born would be baptised and entered in parish registers.² Thus, Paine's estimate of 200,000 births per annum in England was much nearer the truth than his estimates of population and aged persons. Similarly his figure for marriages in England—which I take to have been 80,000 per annum—was not far out. For England alone, the proportion 1 in 123 would have meant nearly 70,000 marriages in each year. The actual recorded statistics for England and Wales from 1791 to 1800 were :³

1791	..	72,590	1796	..	73,107
1792	..	74,919	1797	..	74,997
1793	..	72,880	1798	..	79,477
1794	..	71,797	1799	..	77,557
1795	..	68,839	1800	..	69,851
Average—1791-1800 (10 years)		..	..	..	73,611
,, 1796-1800 (5 years)		..	..	..	74,998

The corresponding figure for 1801 was 67,288, but this is extremely low : the average for the five years 1801-5 was 83,477.⁴ It is necessary to point out that in these statistics the majority of the marriages of dissenters are included, but not marriages of Quakers and Jews, for these two sects were permitted to marry in their own congregations.

The allocation of £20,000 to cover funeral expenses of that relatively small portion of the population who, while seeking

¹ *Accounts and Papers*, Vol. XV.

² Porter, *op. cit.*, Sec. 1, ch. 1 ; cf. Griffith, *Population Problems in the Age of Malthus*, p. 28.

³ *Accounts and Papers*, Vol. XV, p. xxv.

⁴ *Ibid.*, p. xxiii. There were 54,182 more persons married in 1803 than in 1801 ; cf. Griffith, *op. cit.*, p. 34 n.

employment, died at a distance from their friends, may have been sufficient or even generous: but it is impossible to check the figure since there are no statistics by which we can gauge the mortality among persons travelling in search of work at that period. Rickman calculated that the proportion of registered burials to the population of England and Wales in 1800 was 1 in 47·75: Porter gives 1 in 48, which is 20·8 per 1,000. From 1780 to 1810—the period in which Paine was writing—there was a marked fall in the death rate, but evidence given before a House of Commons Committee in 1830 shows that the average number of burials per annum during the period was not less than 192,000.¹ But since Paine does not say how much he proposed to allow to each case, it is not possible to calculate what percentage of the deaths his allocation of £20,000 would have covered. It only remains to say that owing to the serious error in the calculations upon which Paine based his old age pensions plan, there would have been no surplus funds (out of the £4,000,000 with which he commenced) available for the maternity donations, marriage gifts, etc.

After his release from imprisonment in France during 1793-4, Paine wrote his *Agrarian Justice* in which he suggested a tax on inheritances as the best alternative to the sharing of the land by all. The funds produced by the proposed tax were to be expended on (a) grants of £15 to each citizen who attained the age of 21: and (b) annuities (i.e. old age pensions) of £10 for all who reached the age of fifty. Working back from the age distribution statistics of the 1821 census, I estimate that the cost of those proposals would not have been less than:

(a) £2,500,000; and (b) £13,000,000. Total, £15,500,000 per annum.

£6,000,000 more than this sum is the interest paid annually upon the *funded* National Debt as it stood in 1793, before the commencement of the war with France.²

The inaccuracies in Paine's estimates must not, of course, be judged too severely. Before the results of the first Census became available in 1802, any estimates of, or based upon, population were bound to be more or less in the nature of "leaps in the dark." Much more important is the fact that at the end of the

¹ The mortality rate was higher in the cities. Francis Place gives the mortality rate for London in the years 1797-1801 as 1 in 35: see *Principles of Population* (1822), pp. 252-3. Also *Econ. Jnl.*, Sept. 1927, M. D. George on London population in the eighteenth century.

² Robert Hamilton, *Inquiry Concerning the National Debt* (1818).

eighteenth century dissatisfaction with the incidence of the poor rates was turning the minds of reformers towards alternative methods of meeting the risks to which the labouring population was clearly exposed. Acland's plan marked an advance upon that of Baron Maseres because it was partly compulsory. Paine's scheme was more advanced still; what he suggested was non-contributory social insurance, the State providing all the funds out of general taxation.

None of the eighteenth-century writers seems to have thought of insurance against unemployment, but the matter was brought to the notice of the public at least as early as 1819, when the Rev. Robert Hall wrote a pamphlet on unemployment among the frame-work knitters. Hall was not a professional economist, but a popular and powerful dissenting preacher. He was both orator and pamphleteer, and in his six volumes of collected works one finds that a great variety of topics are dealt with in a bold and arresting manner.¹ In the third volume there are "Tracts, Political and Miscellaneous," some of which, as the "Advertisement" tells us, relate to "the momentous topics of general security, freedom, comfort, and happiness." In the year 1819 Hall made an "Appeal to the Public on the subject of the Frame-work Knitters' Fund," in which he pointed out that the progressive depression of wages in the stocking manufacturing industry had reduced the operatives to a state of wretchedness in which proper means of subsistence were totally out of their reach. The highest authorities on political economy had said that the rate of wages, "like every other article," should be left to find its own level, and, indeed, it had done so; 5s. 6d. to 6s. per week being the average earnings of knitters in Leicestershire at that time.² But, as Hall pertinently said, "When the price of a particular commodity sinks so low as not to produce the ordinary profits of stock . . . a less quantity is produced in proportion to the diminution of the demand." This causes prices to recover, and little permanent mischief ensues. But the situation of the labourer is different. "The only commodity he has to part with is of such a nature, that it will not permit him to adjust the supply to the demand. He must instantly offer it to sale at whatever price it will fetch, or suffer all the agonies of want."³

Hall's proposal was to remedy this defencelessness by the creation of a fund capable of supplying the more pressing needs

¹ Charles Kingsley mentions Robert Hall as one of the representative "noble spirits" of the Baptists; see footnote in *Alton Locke*, chap. 3. For a general review of Hall's work see *Quarterly Review*, December 1832.

² Robt. Hall, *Works* (1833), Vol. III, p. 260.

³ *Ibid.*, pp. 236-7.

of those whom "the vicissitudes of trade may deprive of employment."¹ The fund was to be raised by voluntary contributions, small but numerous—"6d. a week out of their scanty earnings"—from the framework knitters themselves, and contributions large or small from as wide a circle of other persons as possible in the county of Leicester. But contributions from the public were to be continued no longer than was necessary to tide the scheme over its infancy.² It is probable that, in any case, private donations would have diminished after the novelty had disappeared. Hall urged that the spending of the money would benefit not only the operatives, but tradesmen of every kind: while agriculturists and landed proprietors would also benefit indirectly. Moreover, he expresses fear that some desperate deeds may follow if the starving population be not relieved. "The heart that is withered with despair obtains an awful emancipation from the ordinary restraints of human action," and the workmen's energies may "take an unnatural and destructive direction."³

Apparently a report had got abroad that some masters had prohibited their workmen from contributing their quota to the fund. It is impossible to be sure whether there was any foundation for this, but it is possible that the manufacturers saw in the fund a means of strengthening the wage earners' position, and anticipated that their own position might be weakened in consequence. Another hypothesis is that some of the workmen made such a statement as an excuse for withholding their contributions. "We are reluctant to suppose," wrote Hall, "there can be found . . . men so callous to the sentiments of humanity . . . or of temper so despotic as to attempt to infringe on the essential right of every reasonable being to consult his interest by providing for future contingencies."⁴ He recommended the publication of lists of contributors and non-contributors, with reasons assigned for the abstention of the latter.

Cobbett was numbered among the hostile critics of the Fund. He held that in attempting to regulate wages the workers were merely dissipating their energies. In an open letter, dated February 9th, 1820, to the "Industrious Classes on the cause of the present poverty and misery," Cobbett pins his faith to the poor laws which, he says, "give to everyone a right, a legal as well as an equitable right, to be maintained out of the real property of the country,"

¹ Robt. Hall, *Works* (1833), Vol. III, p. 240.

² *Ibid.*, p. 266. The Haslemere Scheme was receiving a large proportion of its funds from donations in 1910. *Vide* I. G. Gibbon, *Unemployment Insurance* (1911), p. 72.

³ *Ibid.*, p. 243.

⁴ *Ibid.*, p. 246.

if unable to get maintenance by his or her own exertions.¹ If a man receive parish relief, says Cobbett, it is neither a favour nor a gift; "it is what the law insures him." The law has taken care that help shall always be at hand for those in need. To a person holding such views the Frame-work Knitters' Fund would seem foolish and unnecessary; the workers were striving to do by their own puny strength what, according to Cobbett, the State was standing ready to do for them.

This was, of course, the antithesis of the Malthusian view of the matter. Malthus thought that, while the English poor laws had "alleviated a little the intensity of individual misfortune," they had spread the general evil over a larger surface. The gift of money to a poor man, "supposing the produce of the country to remain the same," merely gives him a title to a larger share in that produce, and thereby diminishes the shares of others. "Hard as it may appear in individual instances (says Malthus) dependent poverty ought to be held disgraceful. . . . The poor laws of England may . . . be said to diminish both the power and the will to save, among the common people, and thus to weaken one of the strongest incentives to sobriety and industry, and consequently to happiness. . . . Were I to propose a palliative . . . it should be, in the first place, the total abolition of all the present parish laws." This would greatly increase the mobility of labour.² Then premiums could be given "for turning up fresh land, and all possible encouragements held out to agriculture above manufactures, and to tillage above grazing. . . . Being now in better circumstances, and seeing no prospect of parish assistance, he (the labourer) would be more able, as well as more inclined, to enter into associations for providing against the sickness of himself or family."³ We may note in passing, that although Francis Place was a Malthusian, he refused to agree to the abolition of the right to public support. "Mr. Malthus (he wrote) denies to the unemployed poor man the right to eat, but he allows the right to the unemployed rich man."⁴

In his reply (published in 1821) to Cobbett and other hostile critics, the Rev. Robert Hall asks, "If, by the exercise of foresight and self-denial," a workman "can evade the fatal necessity of lying entirely at the mercy of his master, where is the impropriety of his conduct, or of what have the public to complain?" He denies that the scheme is a combination to raise wages. It is

¹ *Political Register*, June 3, 1820. Cf. also *Ibid*, April 14, 1821.

² Cf. Pitt's speech on Wage Regulation and the Poor Law, in February, 1796. *Hansard*, Vol. XXVII, pp. 705-15.

³ Malthus, *Essay*, Chap. 5.

⁴ Quoted in Wallas, *Life of Place*, p. 165.

merely a provision for the maintenance of the redundant or surplus (unemployed) labour, which might exist at any time as a consequence of the "vicissitudes of trade"; a provision designed to prevent the competition of the surplus from depressing to an unbearable degree the level of wages for all. Before the inauguration of the fund, the destitution and despair of the few became "the gauge by which the miseries of all were measured out."¹ The manufacturer is not *compelled* to dispose of his goods at ridiculously low prices; he adjusts output as far as possible to demand. Why should the labourer be criticised if he aspires to be in the same position with respect to his labour? This position the Leicestershire knitters were seeking to attain by means of a fund *made chiefly out of their own earnings*, to be used in aid of such as were unemployed and unable to procure work except upon terms "ruinous to every description of their brethren."² Hall complains that the reader of Cobbett's criticisms would be led to conclude that the workmen contributed nothing. On the contrary, Hall asserts that the workmen, "not remarkably gifted with self-denying habits," have persisted so long (1819-21) in making their contributions because of their experience of the advantages of the fund. The redundant workers are no longer an instrument of universal wage depression, and this makes the future of the fund more secure, because those in work, at better wages than they would otherwise be compelled to accept, are more able to afford the contribution of 6d. per week.

There does not appear to be any idea in Hall's mind that the State ought to assist the fund in any way; so that if we adopt a rather narrow concept of social insurance, and exclude schemes in which the State has no part, Hall's proposals would not rank as social insurance at all.³ But it is by no means certain that the participation of the State is a good criterion by which to classify insurance schemes. Whether this be so or not, it is undeniable that in Hall's Fund there is the germ from which the existing unemployment insurance scheme in this country has grown.

After 1821 there appears to have been comparative calm for a number of years, until Mr. Slaney introduced the subject of insurance against unemployment into the House of Commons in 1830.⁴ On May 13th in that year Slaney brought forward a motion asking for the appointment of a Select Committee to

¹ Hall's *Works*, *op. cit.*, pp. 261-3.

² *Ibid.*, p. 275.

³ Cf. Rubinow: *Social Insurance*, Ch. 1.

⁴ *Hansard*, Vol. XXIV (New Series), p. 682.

consider means of lessening the evils arising from fluctuations of employment in manufacturing districts. He began by pointing out the great changes which had taken place in the occupational distribution of the population since 1801. "In 1801," he said, "the manufacturing population (of England) were to the agricultural as six to five; . . . but in 1830 they became as two to one. . . . During the last twenty years the population of the country generally had increased thirty per cent., the manufacturing population forty per cent." Slaney seemed to be much impressed, not only by the magnitude of the problem, but by the possible loss of England's "monopoly of the trade of the world" owing to the fact that two great countries opposite our shores were "in most respects copying our institutions, and in which manufactures were greatly encouraged and protected." He further urged that manufacturing operatives were much at the mercy of changes of fashion, as well as political and commercial changes.¹ The evil in mind was not the general problem of distress, but the kindred problem of the fluctuations in the condition of the operatives due to fluctuations of trade.

Slaney wished the Committee to inquire whether the advantages conferred by benefit societies in insuring against illness and old age could be obtained in cases of occasional loss of employment. He urged that the wages of many manufacturing operatives were sufficient to allow them to contribute to an insurance scheme; but failing this, they would remain without anything to fall back upon when out of employment.² Therefore, his proposal was that the clause in 10 Geo. IV, c. 56, which made it lawful "by subscription or otherwise, to raise funds for the relief and maintenance in sickness, infancy, advanced age, or any other natural state or contingency whereof the occurrence is susceptible of calculation by way of average," should be extended to cover the contingency of unemployment. To this proposal he anticipated the objection that such facilities would be used for the purpose of combination and in order to raise wages; but he urged (*a*) that the repeal of the Combination Laws had introduced very different conditions, and the workman could, in any case, combine if he wished to do so, and (*b*) that in proportion as means were provided to save the manufacturing population from distress "they would become more tractable."

Some of the trades in London—the tailors in particular—had carried the insurance system to a state of great perfection, said

¹ *Hansard*, Vol. XXIV (New Series), p. 686.

² *Ibid.*, p. 687.

Mr. Slaney ; and a somewhat similar, though less perfect, system existed among the Kidderminster carpet weavers and paper-makers. " But no others of the manufacturing classes had any such provision, and in the event of being out of work they were left entirely destitute." He then put forward an argument which agrees very closely with that urged by Hall eleven years before ; namely, that when trade was bad, the amount of depression in wages was out of all proportion to the numbers of workmen unemployed. In Wolverhampton, for example, in bad times the workmen had to work sixteen hours a day " and only obtained the merest pittance." Slaney tried to impress upon the House the importance of encouraging the operatives to cultivate habits of prudence and forethought, which, he said, had been the chief means of raising the middle classes. Already the beginnings of such habits were to be seen in the fact that in 1830 the Benefit Societies had upwards of one million members, and the Savings Banks had £16,000,000 in their charge.¹ Assuming the validity of this contention, it would seem that the way lay open for the inauguration of what one may call a non-compulsory composite-contribution scheme of unemployment insurance, in which the premiums paid by the workmen would have been supplemented by the State. But the *will* did not exist.

Mr. Slaney's proposal was, on the whole, favourably received by the House, and a Committee was appointed ; but in the course of the debate doubts were expressed whether the Committee would be able to do more than collect and furnish useful information. Not a single member spoke with any enthusiasm in favour of the insurance scheme. Even the seconder (Mr. Marshall, member for the County of York) " did not anticipate all the benefits from it that his hon. friend expected, but he thought at least that some valuable information might be obtained."² Other speakers doubted whether trade fluctuations were susceptible to the " calculation of probabilities," as was the risk of sickness, for instance : and whether it would be possible to discover genuine unemployment, and effectively to guard against abuses. It was evidently intended that the scheme should be contributory, and no doubt most, if not all, of the burden would have fallen upon the workmen. With this in mind, one member contended that the majority of wage-earners could not afford to " club 6d. a week for the support of their fellows out of employment."

The report of the " Select Committee on Manufacturers'

¹ *Hansard*, Vol. XXIV (New Series), p. 696.

² *Ibid*, p. 690.

Employment," for which Slaney had pressed, appeared in July, 1830. The evils arising from fluctuations of employment in manufacturing districts "among a very numerous and valuable class of Workmen" were found to be generally acknowledged; and the Committee attributed the fluctuations to three principal causes, viz., changes of fashion or locality; improvements of machinery; and foreign rivalry, regulations, or prohibitions. The partial displacement of woollens by cottons was cited as an example of change of fashion. It was also suggested that the migration of certain manufactures had "been caused or accelerated by the conduct of the Workmen, in refusing a reasonable reduction of wages, or opposing the introduction of some kind of improved machinery or process . . ."¹ It seems probable that in cases where master manufacturers were hovering between staying in an old manufacturing district, or removing to a new one, a dispute with their workpeople might easily turn the scale in favour of a decision to remove.

One of the conclusions to which the Committee came was that the earnings of workmen in many districts were, on an average of several years, sufficient, if properly handled, to provide for periods of unemployment. But the plan actually recommended by the Committee was really little more than another form of the savings bank. The principle of insurance, with its essential spreading of the risk, was abandoned; instead, workmen were to be allowed, if they so desired, to join Employment Fund Societies. Each member, while in work and good health, was to pay a weekly or monthly contribution to his Society, which, in its turn, was to invest its funds in Government securities through a savings bank. A separate account was to be kept for every member, so that when any member became unemployed he could draw regular payments from the Society *to the extent of his own contributions* plus the interest earned thereon. Therefore, the sole point of superiority of this plan over mere voluntary deposits in a savings bank lay in the fact that contributions had to be paid regularly, and sums saved could not be withdrawn except during periods of unemployment, or at death.

It cannot be said, therefore, that the Committee rose to very great heights. The idea of *compulsory* social insurance seems to have been far from their minds; and they decided against any form of *voluntary* social insurance because they thought that "such societies not resting upon a fund, the amount and duration of which is accurately known, but in great part upon contributions,

¹ Report No. 590 of 1830, MS. p. 223.

the continuance of which can never be certain, would lead to miscalculation, and exaggerated hopes and expectations injurious to the men themselves."¹

Slaney's determination to obtain something, even if it were at first only "half a loaf," is commendable. In the House of Commons on April 25th, 1833, he introduced a Bill to enable work-people to insure themselves against temporary unemployment, by giving them facilities for the creation of "a safe joint fund, vested in the public funds, or other approved and available security." He wished to have this fund protected by law, like the funds of Friendly Societies. Want of employment, followed by want of bread, said Slaney, was responsible for most of the violent outbursts that sometimes occurred in industrial districts. The people had no reserves, therefore they could not be patient. But in spite of his persistence, Slaney's scheme was bound to come to nought, for, although he did not ask for financial aid from the State, the Whigs and Tories were apathetic, while many Radicals were in active opposition. William Cobbett and Thomas Attwood both spoke against the Bill on the grounds that working people ought not to be induced to put their savings into the public funds.² Outside the House, the *Destructive*—an unstamped paper for the working classes—declared that Mr. Slaney's Bill to enable mechanics, etc., to insure themselves against temporary unemployment carried "fraud or folly on the face of it." The people did not want insurance against unemployment, but more pay for the work they did. "Mr. Attwood was perfectly right when he declared the real object of this bill is to give the government a most formidable power over the independence of the working classes through their investments in the stocks."³

The gradual passing of *laissez-faire* has left its mark upon the theory and practice of social insurance. In the rapid development of schemes since the eighteen-eighties State action has been very prominent. But, in England at any rate, it would have been too much to expect the State to shoulder the whole financial burden from the commencement. Therefore, we have at the present time a compromise—the composite-contribution plan—which, although clearly far better than nothing at all, does not, in all probability, represent finality. The case for non-contributory social insurance merits more consideration than it has yet received.

¹ Report No. 590 of 1830, MS. p. 232.

² *Hansard* (Third Series), Vol. XVII, pp. 596 *et seq.*

³ *The Destructive*, May 4, 1833.

The passing of the Widows, Orphans, and Old Age Contributory Pensions Act, 1925, adds strength to the plea for a closer scrutiny of the merits and defects of the contributory system, for in point of fact, the case *against* the acceptance of the principle that the receipt of State pensions should be conditional upon the previous payment by the pensioner of a prescribed minimum number of contributions, is remarkably strong. The case *for* the present scheme appears to be mainly based upon two assumptions; (a) that it renders bearable what would otherwise be an unbearable financial burden, and (b) that the self-respect of the pensioners is preserved. These assumptions are supported by a number of arguments, of which the chief are set forth below:

1. The contributory principle encourages thrift and foresight among the contributors.
2. If we do not make the scheme contributory we cannot have a pensions scheme of this extended kind at all, because of the magnitude of existing calls upon the national exchequer.
3. As the full social effects of contributory pensions materialise, the local rates will increasingly become lighter.¹
4. A non-contributory scheme necessarily involves the application of "tests" or inquisitorial methods.
5. The improvident are protected, in spite of themselves, against the evil consequences of their improvidence.
6. The payment of contributions averts the stigma of charity.

Close examination of these arguments reveals the fact that the case for contributory pensions rests upon less stable ground than is commonly supposed. Let us take the arguments *seriatim*.

1. With regard to the argument touching the encouragement of thrift among the working classes, one may say at once that thrift that eats into an income which is so small that the whole of it ought to be spent upon food, clothing and shelter, is not a virtue but a vice. It has been seriously argued that persons who have so far felt the hopelessness of attempting to provide for the future will be encouraged to do so by the existence of a contributory pensions scheme, and will try to make a small provision sufficient to supplement the pension to which they will eventually become entitled. But, obviously, this reasoning cannot be applied to the case of the naturally thriftless person: while, with regard to thrifty individuals, the argument assumes that they will be better able to add to their private savings when a

¹ See *Hansard*, Vol. CLXXXIV (1925), p. 90.

compulsory deduction is being made from their wages than they will when it is not.

Compulsory "thrift" is not really thrift, but taxation in disguise. The workers' contributions amount to a regressive tax of the worst kind, for the incidence is greatest upon the low-paid workers. Moreover, those who are working short time have to pay the same contributions as those in full employment; therefore, the real burden increases as earnings diminish. Employers also pay contributions, and it would be stretching the thrift argument too much to attempt to apply it to them. What the employers pay is a tax pure and simple, levied per head of persons employed, and, unlike the income tax, its incidence is felt whether profits are being made or not. The *per capita* basis is bad, since taking trade and industry as a whole, the profits made do not vary in direct ratio to the number of persons employed. When trade is bad, a firm that runs at a loss for a time and tries to retain as many of its staff as possible, is penalised in comparison with another firm that ruthlessly discharges its workpeople at the approach of a depression. Another point is that the present contributory scheme plays, in particular, into the hands of the middlemen who, as a rule, employ but a small amount of labour in proportion to the volume of business done. Whether they can afford to pay it or not, the main burden of the tax falls upon industries that give most employment, and therefore, the whole incidence of the tax may fairly be described as unsatisfactory and unscientific.

Furthermore, where a manufacturing concern is reaping increasing returns, the burden of the employers' contributions will be greatest in times of trade depression, for the contributions are levied at a flat rate per employee, so that when the scale of production has to be contracted, the employer doubtless feels the burden of his insurance contributions in respect of, say, one hundred workers, more than he does when he is paying upon a greater number during a boom, for he is then reaping the economies of production at full capacity.

2. Merely to call the compulsory payments "contributions" instead of taxes, is not to reduce or remove whatever financial burden there may be. As one Member of Parliament pertinently observed in the debates on the recent Pensions Act, the money will not be found in a hole in the wall! Somebody must pay: the problem is how best to distribute the burden. The care and maintenance of widows, orphans, and aged persons is as much a social responsibility as the free provision of special treatment

for, let us say, infectious and contagious diseases. Moreover, the burden of a contributory scheme falls chiefly upon those sections of the community upon which it is desirable not to place fresh financial obligations. If the responsibility be a national one, let the financial burden of it be spread fairly over the whole of the community in accordance with the accepted principles of progressive taxation. In this way alone can the real burden be reduced to a minimum.

3. The argument based upon the prospect of relief for local ratepayers raises an interesting theoretical point, viz. whether it is sound to relieve the general body of ratepayers at the expense of workpeople and employers. Moreover, apart from this shifting of the burden, we may ask whether the incidence of the new tax (i.e. the additional contributions) will be more equitable than the incidence of the old? *A priori* it does not seem likely that it will. Local rates bear a rough and ready relation, at least, to the income of the payer in a great many instances; but contributions under the pensions scheme clearly do not. Thus we should exchange a tax which is more or less proportional, for one which is obviously regressive: an undesirable change.

4. If all sections of our social insurance scheme were made non-contributory, or if the pensions scheme had "means limits," there would be some force in the objection that a non-contributory scheme involves inquisitorial methods. But where the pensioners are themselves insured persons for other purposes (e.g. health insurance), or the widows and orphans of insured persons, there does not seem to be any need for inquisitorial methods, since the administrators of the pensions scheme are already in possession of nearly all the information that can reasonably be required before the grant of a pension. It is very easy to exaggerate the resentment felt by claimants against such inquiries as would be necessary. One may well doubt whether such inquiries would be more objectionable than the declaration of income from all sources at present required by the Commissioners of Inland Revenue for income tax purposes.

5. Whether we have a contributory or a non-contributory scheme, the effect is the same so far as the improvident person is concerned, except that under the former there is no opportunity to spend the contributions that are deducted from the weekly wage. But the deduction of these sums will not alter a person's habits or attitude to life. Under either type of scheme the improvident man is to a certain extent saved from the consequences of his folly or lack of foresight; but really improvident

persons are in a distinct minority among the working classes as a whole.

6. It has not yet, I think, been conclusively proved that there is any necessary connection between the payment of social insurance contributions and the absence of the "stigma of charity." If a non-contributory old age or widow's pension is charity, then clearly the British Treasury makes many disbursements which are similar in their nature. But if it be denied that retired and pensioned officials are living upon charity, then similar reasoning must be applied to the retired workman. "This support" (i.e. old age pensions), said Tom Paine in 1792, "is not of the nature of a charity but of a right." Moreover, the payment of contributions to the unemployment insurance scheme has not prevented the common use of the objectionable term "dole." If the view ever gains widespread acceptance in this country that it is the duty of the State to take out of the lives of the working people the spectre of insecurity of livelihood in all its aspects, people will cease to confuse charity with social insurance, and we may then be appreciably nearer to non-contributory social insurance than we are to-day.

Mr. Robertson's Views on Banking Policy

By R. F. HARROD, M.A.

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MR. ROBERTSON begins¹ with his habitual quotation thus :

“ ‘ She’s in that state of mind,’ said the White Queen, ‘ that she wants to deny *something*—only she doesn’t know what to deny!’ ”

“ ‘ A nasty, vicious temper,’ the Red Queen remarked.”

What Mr. Robertson seeks to deny, it turns out, is that price stabilisation is universally, or even usually, the best policy. At the same time he says, “ I believe firmly in a policy of ‘ credit control ’ as contrasted with a policy of *laissez faire* in monetary affairs.” He is thus on the side of the monetary reformers, but goes beyond them in their analysis of fluctuation and elaborates more minutely. He stands to the modern orthodoxy of stabilisation, as the sound economist pointing out a special case for protection stands to free trade. The ardent stabiliser may well be roused to fury that the native vigour of his wide generalisation should be sapped so early by more than one exception. As Ricardo found McCulloch and J. S. Mill found Cobden, so Mr. Robertson may find those who affirm that he has spoilt their whole case.

The following are three of Mr. Robertson’s principal propositions: (I) In a frictionless state of barter in which producers knew and sought their own interest, output would be liable to alternating expansion and contraction. (The waves would be smaller than those to which we are accustomed in our world.) (II) Such a fluctuation, but neither more nor less, is desirable. (III) Paradoxically it is the case that in a money economy output would be made identical with the output of frictionless barter, not by price stability, but by an alternating rise and fall of general prices. The *prima facie* view that, if you do not want the introduction of money to upset the natural rhythms and harmonies of barter, it should be made a perfect measure of

¹ *Banking Policy and the Price Level*, by D. H. Robertson. P. S. King and Son, London. 1926.

value, that is, absolutely stable, is thus denied. From (II) and (III) it follows that an alternating rise and fall of prices is desirable.

The first of these propositions is equivalent to the assertion that there are other causes of variability in output than those covered by the terms psychological and monetary. Few authorities would dispute it. Mr. Robertson introduces a distinction of considerable importance between the variation which is in the interest of the employers and that which is in the interest of the producing group as a whole. This distinction applies to the frictionless state of barter; for both types of variation it is to be assumed that psychological causes of error have been removed. The variation which the self-interest of the employer would dictate in frictionless barter is called employer's or simply "justifiable" variation, the other "group-member" variation. The former, it is held, would be greater than the latter.

Banks, according to Mr. Robertson, ought so to determine their policy that the resultant scale of output is that defined as "justifiable." This will show some variability. The following questions may be asked: (1) Why is variation desirable at all? (2) Why should we here and now aim in particular at the variation of frictionless barter? (3) Why is employer's variation to be preferred to group-member variation? Arguments in favour of variation in general may be found on p. 22. Their general effect is that with our existing capitalist system, complete stability might involve stagnation. Hence some variation is a good thing. But the variations of our unregenerate money economy are excessive (Ch. 4). Banks should reduce industrial fluctuation, but not extinguish it. It should be clearly understood that we have so far two separate sets of arguments. One shows that there would in fact be fluctuation in frictionless barter, the other that we ought to retain some fluctuation in our capitalist system. But there is nowhere to be found any reasoning to the effect that the particular degree of fluctuation which would occur in frictionless barter is identical with the degree which it is desirable for us to retain, which is the right one, that is, for promoting progress. And yet this identification is illicitly assumed throughout. It must be that some latent æsthetic interest led Mr. Robertson to make this identification. As it is, there is a missing link in the explicit chain of reasoning. For if we grant that he has shown that stable prices would not allow of the full industrial fluctuation of frictionless barter, yet it is still tenable that stable prices would allow of some industrial fluctuation, sufficient

for promoting progress in a capitalist system. Mr. Robertson does not rebut the common view of practical men, often urged by opponents of reform, that monetary stabilisation would by no means eliminate the trade cycle. In choosing between the two types of fluctuation of frictionless barter, the employer's and the group-member's, Mr. Robertson seems guilty of confusion. He chooses employer's variation as that which we ought to retain, apparently, on the ground that we cannot in the immediate present so modify our industrial structure as to take the say out of the mouth of the capitalist *entrepreneur*; we cannot usher in a socialist *régime*. But on the other hand, his whole contention is that in our world the scale of production is a function of the banking policy. He does not deny that the central bank can reduce trade fluctuation below the "justifiable" amount, but only holds that it ought not to. Then why should it not here and now, without any social revolution, aim at producing that degree of fluctuation which we call the group-member fluctuation of frictionless barter? If it is a question of what is possible, then, on our assumptions, this is not impossible. If it is a question of what is desirable, Mr. Robertson's arguments do not decisively determine how much variation is desirable, they do not tend to show that the employer's variation of frictionless barter is better than the group member's. We should note in passing that it is here maintained (p. 19) that in a capitalist system such as ours the employer has more say than the employee in determining the volume of output . . . (I).

Let us now consider proposition (III), that a fluctuation in prices is necessary to secure the industrial fluctuation which would occur in a barter economy. I propose to deal with the arguments of Chapter 3. The following is the general type of case discussed in which expansion is held to be "justifiable." We suppose that one section of the community, A, becomes willing to exchange with the other, B, at a rate more favourable to the latter. This, supposing that B has an elastic demand for an income in terms of effort, would justify an expansion of B's output. B is rewarded for its output at a higher rate of A goods per unit of its own. This reward may take the form of the same money with greater purchasing power per unit over A goods, or of more money with the same purchasing power per unit. The contention is that the "justifiable" expansion will be carried out with the least possible degree of friction if the increment of reward to B comes entirely in the form of more money and not at all in the form of a reduced price of A goods. Therefore the

banks should manipulate the flow of money in such a way as to sustain the price of A goods. This will involve a higher price of B goods and therefore a rise in the general price level (pp. 23-27). The view here set out that, if you want a given increment of income in a money economy to produce its stimulus at once, it should take the form of a proportional increment of money and not of lower prices, need not be contested. But two objections may be made to Mr. Robertson's practical deduction from it. First, part of B's money income is derived from selling its goods to itself and part of its expenditure consists of buying its own goods. If, in order to prevent the price of A goods falling, the price of B goods is raised, this part of B's income will be apparently swollen and will act as a stimulus, for by hypothesis B will not notice that the price it has to pay for its own goods has risen in proportion. Suppose (as on p. 24) that in equilibrium the B group is to get 25 per cent. more of A goods per unit of its own. It is urged that the banking policy should be such that B group can see what is happening and that it should get a 25 per cent. higher price for its products from the A group. But then it will also get a 25 per cent. higher price from itself and thus its apparent increment of income will be greater than its real, and it will be over-stimulated. This objection is removed if we suppose that the B group buys no B goods. Similarly if the B group spends more of its income on A goods than on B goods, it would appear desirable, so far as this argument takes us, for the bank to let A goods rise by more than B goods fall. This would involve a general rise of prices (supposing that the A group spent its money in roughly the same proportions).

In putting forward the second objection let us retain the supposition that the B group buys no B goods and add that the A group buys no A goods. Mr. Robertson does not consider the effect of his banking policy on the activities of group A. A, we assumed, became willing to exchange at a ratio less favourable to itself. But B is to give the same money rate. By the principle that people only attach importance to the money façade, A group will be over-stimulated. Obtaining the same price it will not perceive that its reward in B goods is lower; and it will push production further than if it saw that it was really receiving. Of course A may be, as in an example given, a group of agriculturists, whose response to stimulus is slow. But that is a special case. It should be noted that on our assumptions no banking policy can give the right immediate stimulus to both groups. If the price of A goods is kept the same,

A group will be much over-stimulated; if the price of B goods is kept the same B group will be much under-stimulated. A middle policy would over-stimulate A a little and under-stimulate B a little. Failing a complete catalogue of all possible conditions of supply and demand, may we not say in general that probably that particular intermediate policy will be the right one which keeps the general level of prices stable? At any rate the conditions so far supplied for the determination of the problem do not indicate on which side of stability it is likely to be right to diverge.

In the above arguments it was assumed that to elicit a given output from B we must give the whole producing group a certain money stimulus. In fact, on p. 27 it is definitely laid down that during the expansion B employers must have to hand a sufficiency of money to attract increments of labour by higher money wages . . . (2). This seems inconsistent with proposition (1)

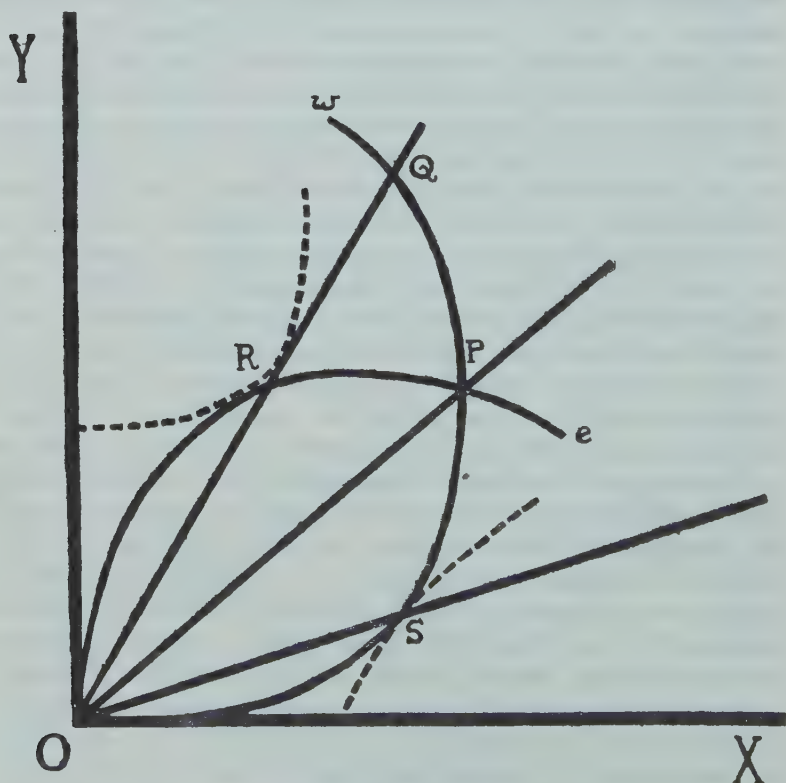


Fig. 1.

above according to which the capitalist employer determines the volume of output without reference to the other members of the producing group. In fact statement (2) hits the basis of the original distinction between employer's and group member's output. This inconsistency may be taken in connection with another puzzle. Very cogent reasons are adduced in this book (p. 20) for the view that the supply schedule of labour is less elastic than that of enterprise (3). If this is so, wages ought to rise more than profits during a period of expansion. But they do not in fact (4). Some light may be thrown on the bearing of these four propositions, if we take into account the real conditions of collective bargaining and use the following construction.

Measure work along OX, aggregate wages up OY. O_e is the employers' demand schedule, O_w the workers'. O_e touches a workers' indifference curve at R, O_w an employers' indifference curve at S. The rate of wages is represented by a straight line through the origin. Collective bargaining may fix upon any rate between OR and OS.¹ If the rate fixed upon lies between OR and OP the output is determined by the employers, the men being willing at that rate to give more work than the employers are ready to buy; the employers' demand cuts the curve of any intermediate rate on the left of the workers'. If, on the other hand, the rate is fixed between OP and OS the output is determined by the workers, the employers then being willing to employ more men than they can get. This seems a natural and satisfactory solution of the discrepancy between (1) and (2). In our system it is sometimes the employers, sometimes the workers, who dictate, the employers when the wages bargain inclines to the workers' interest and the workers when it inclines to the employers'. Further, we find our other difficulty resolved, namely, how to reconcile the view that the supply schedule of labour is less elastic than that of enterprise with the fact that expansion of output is often attended by a greater rise of profits than of wages. From the above it appears that this may well occur when the initial rate lies between OR and OP. The employers find that they can get more labour at the same rate, even though the workers' supply schedule is inelastic in the range in question (as it is in the above figure throughout the range PQ).

From this construction we may deduce a further criticism of Mr. Robertson's position.

In Fig. 2 OPQR is reproduced from Fig. 1. Let the initial rate of wages be OD. Then the initial output will be OM. If

¹ Prof. Bowley, *The Mathematical Groundwork of Economics*, p. 8.

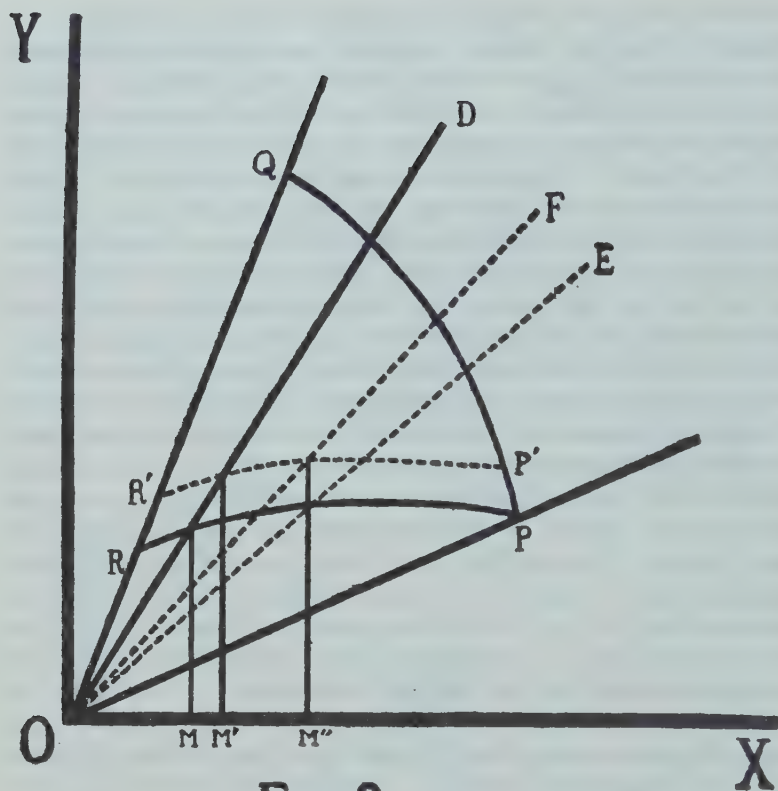


Fig. 2.

the employers are stimulated to increase output, let $R'P'$ represent their new demand for labour. Without any change in the rate of wages OD , output will be increased by MM' . Then suppose that the bank, acting according to the principles of Mr. Robertson, produces a general rise in prices. The wage bargain being fixed in terms of money, the real rate will automatically change to, say, OE , the money rate still remaining the same. Yet if both parties are psychologically affected, as noted above, blind to goods and seeing only money, then OE will not be the effective rate, both still thinking that OD is the rate. But the change in the price level may be presumed to have some effect.¹ We may suppose that a 20 per cent. rise in prices does not produce the same reaction as a 20 per cent. fall in wages, but the same, say, as a 12 per cent.

¹ The employers, immersed in their own business, cannot be quite blind to the change of prices, which has a direct relevance to the amount of labour which it is worth while to employ. And it is the employers in this case who control the volume of employment.

fall in wages. Let this be represented by OF. Then, without any change in the money rate of wages, production will expand to OM'. Here the increment M'M'' is simply due to the fact that the balance of power between the parties has been upset by the monetary change. The further increase, M'M'', is not "justifiable," and the shifting of the balance is surely undesirable.

In the second part of his book Mr. Robertson examines minutely the part played by banks in the provision of circulating capital. A "justifiable" expansion of output involves "a large and discontinuous increase in the demand for Short Lacking."¹ But, "there seems no doubt that in fact the supply of Short Lacking is not sufficiently elastic to cope with such pronounced and discontinuous increases in demand, and that the responsibility of meeting them rests almost entirely upon the banking system" (p. 72). If the bank does not intervene in a certain manner, the expansion cannot go forward owing to a shortage in the supply of "Lacking." This implies that the notion of "justifiable" expansion is framed without reference to the terms on which the purveyors of one important factor of production, "Lacking," are willing to collaborate. But this seems to explode the original definition of "justifiable" expansion, as the expansion which is in the interest of the capitalist *entrepreneur*. We are now asked to strip the *entrepreneur* of his attribute of capitalist and to conceive of a certain output as being in his interest *qua entrepreneur* only. Yet what is in his interest depends on the terms on which he gets his capital. So we have a vicious circle, as follows: The banks ought to regulate their policy and the terms on which they make their advances so as to provide an appropriate supply of "Lacking." That supply is appropriate which suffices for a "justifiable" expansion of output. That expansion is "justifiable" which is in the interest of the *entrepreneurs*. The amount of expansion, however, which is in their interest, depends on the terms on which they can obtain their "Lacking." But the terms on which "Lacking" is supplied are to be determined by the bank in such wise that the "justifiable" amount of expansion takes place! Mr. Robertson certainly seems to conceive that the banks ought to help *entrepreneurs* to obtain "Lacking" on easy terms during a time of expansion. It follows that he thinks that greater variability of output is desirable than would occur if the banks did not interfere

¹ "Lacking" is defined on p. 40 as that "abstention from immediate enjoyment of consumable goods" which constitutes the essence of the activity of providing capital.

in regulating the supply of "Lacking." Here we are driven back on to the original vagueness in the statement of what variability is to be taken as desirable.

There is no doubt that Mr. Robertson has given a masterly analysis of the detailed processes of monetary fluctuation, and that he has made important contributions to the theory of the subject. These notes have only touched the "bare bones" of his argument. It is submitted that the skeleton is incomplete, and that the practical conclusion that banks ought to promote a fluctuation of prices is not established.

Book Reviews

An Economic History of Modern Britain. The Early Railway Age, 1820-1850. By J. H. CLAPHAM, Litt.D. Cambridge University Press. 1926. Pp xiii+623. 25s.

Dr. Clapham's skill in handling refractory material was fully established before the issue of this volume. His clarity and coolness of judgment and style, his ripe mastery of the sources of economic history, his knowledge of modern industry have given a rare authority to his work. Great expectations, therefore, were aroused by the announcement of his big-scale history of industrialism. Dr. Clapham himself advances very modest claims for his work. He styles it "an" economic history and "apologises" for it on the ground of its scale, its attempt to eliminate the legendary and the vague by substituting the definite and the quantitative, and its insistence on the comprehensive as against the monographic view. On these and other grounds Dr. Clapham's book is very welcome.

What has been attempted in this volume is a new synthesis. The printed sources have been systematically surveyed; blue-books, periodicals, monographs and local histories have been made to yield their essential contribution. If little striking new material has been unearthed, Dr. Clapham has at least quarried in neglected places. Particularly he makes deft use of Meidinger's *Reisen durch Grossbritannien*, of Cobbett's *Rural Rides*, of the Census Reports, of Mr. and Mrs. Webb's great studies of English Local Government, and of the Victoria County Histories. "I seldom wrote," he declares, "with general histories on the table," nor "did I return to Knowles or Fay when giving my opinions their final dressing." He adds that in various sections he "relied absolutely" on the monographs. His combination of the new and the established has resulted in a first volume of great interest and variety. Later research will doubtless add much to Dr. Clapham's findings, but it is doubtful whether the proportions of his work will be seriously modified. The tones of it, particularly on the social side, may be, but that will be due, not to any narrowness of sympathy on Dr. Clapham's part, but to the accident of the historical writing of recent years. Dr. Clapham has

written at a time when false emphases had to be corrected. The passionate writings of Mr. and Mrs. Hammond, however significant as a force in the thought of to-day, had cast a shadow over the constructive energies of the "industrial revolution." To lighten that darkness—or to put the Home Office papers in a subordinate place as a source of economic history—was an urgent necessity. Under it Dr. Clapham has laboured so effectively that the social consequences of economic change are largely obscured.

Rather more than half the present volume is devoted to a detailed, and usually retrospective, description of Britain as it was in 1820-30, on the eve of the railway age. Such a plan offers obvious advantages. But already there was in the first volume of Halévy's *Histoire du peuple anglais au 19me siècle* a most attractive picture of the England of 1815. From Dr. Clapham the historical student would have preferred an analysis of post-Restoration economic history. Without such analysis any economic history of modern Britain offers uncertain interpretations. To discard the terms "industrial revolution" and "capitalism" is not to escape this necessity. Though Dr. Clapham is primarily concerned with the early railway age, he points out (p. 143) that "no British industry had passed through a complete technical revolution before 1830," and that ancient and transitional types of economic organisation of every variety were consequently in being. This being so, a fuller historical background might have been drawn in, and an unfortunate gap in our knowledge of economic evolution have been filled. While, for example, Dr. Clapham deals firmly with agrarian history, he might have told us more of the conditions and terms of land tenures. Similarly, his account of banking and insurance, though an advance on previous work, still rests on rather slender foundations. We have here, too, a very useful account of savings banks and friendly societies, but it makes little of the village clubs whose amateur finance and high rate of mortality attracted comment from sober agriculturists in the eighteenth century. There is some appreciation of "the efficient smuggling system," which Lord Sheffield declared the cause of a shortage of agricultural labour in Sussex, but its full significance is scarcely brought out.

The second half of the volume comprises half a dozen chapters which advance their various subjects from 1830 to appropriate halts between 1846 and 1851. In all these chapters, even including that on railways, there are new points, and legends are duly

driven from their nesting-places. Dr. Clapham's interpretation of Huskisson's reforming zeal is arresting; he maintains freshness and impartiality in his treatment of the vexed question of the Corn Laws; his outline of industrial development is a better one than can be found elsewhere. But there are surprising omissions also. A chapter is devoted to overseas trade and commercial policy: the home trade gets only incidental treatment. More could have been made of the history of shipping: at least the revelations of the committee on the cause of wrecks of 1836 might have found a place. Interesting pages are devoted to the "company mills" of the woollen trade, and the ghostly survivors of the old chartered companies are chronicled: but the history of company organisation and finance is still, it must be admitted, largely unwritten. It would be a reasonable arrangement to leave much that belongs chronologically to this volume for treatment in volume two. Presumably that is what Dr. Clapham has done, but, if so, he has pruned these pages too ruthlessly.

Dr. Clapham's history will be completed in two more volumes "with at least an epilogue" on the decade following 1914. Judgment of the present instalment, then, must be in some degree premature. One is on safe ground, at any rate, in expressing appreciation of some of the outstanding features of volume one. In particular, mention may be made of Dr. Clapham's account of the decay of local industries, his analysis of poor law history, his description of rural housing, his assessment of farming progress, his examination of the economic development of Scotland and Wales.

The magnitude of the task and the duty of maintaining a balanced judgment in a difficult atmosphere have tended to make this work a little too much, perhaps, that of the annalist. Yet it is attractively written from cover to cover and never less than authoritative. Volume one makes it very clear that volumes two and three will give us work of outstanding importance.

H. L. BEALES.

The Modern State. By R. M. MACIVER. Oxford: The Clarendon Press. 1926. Pp. xii+504.

It is the task of social science to explain the relation between social institutions and human values. "The political thinker is not scientific if he ignores the teleology which is anathema to the physicist." He must try to reveal the mental attitudes that precede and accompany political institutions and the effect of these latter on the attainment of what men hold worthy of

pursuit. His task is simplified by the fact that as M. Jourdain unwittingly spoke prose, so mankind has lived the life of reason. Unconsciously they have applied the rules that a grammar of politics would prescribe. All that remains for the social scientist is to remove the prejudices which prevent men seeing the State as they have made it. This is the task Prof. MacIver sets himself. He shows in his outline of the State that men have builded better than they knew. In their unconscious wisdom they have made the State an association whose aim is to secure the framework of order necessary to realise the good latent in mankind. To maintain this framework of order the State has been permitted the exercise of a coercive power sufficient to secure the generality of its rules. But if generality necessitates coercion, coercion implies externality. The State can concern itself neither with the particular nor the intimate. Omniscience would mean incompetence. It should not seek to control opinion because in the realm of mind force is of "pitiful irrelevance." It should not dabble in the realm of culture while there are so many "definite conditions requisite for the evacuation of human quality" which it could but has not yet secured. "What the State should do is what as an organ of society it can do." It can effect those "external conditions of social living which are of universal concern in view of the acknowledged objects of human desire."

But whence does the State secure the force upon which the securing of these external conditions depends? "The order which the State stands for is that universal order which is so desirable or so necessary that the community empowers the State to enforce it." The sanction for a law cannot be its complete accord with each individual's desires or ideals—that would mean anarchy—but in their acceptance of the scheme of order of which it is a part. Individuals acquiesce not in particular commands but in a general scheme. The State exists not because it embodies a general will, but because there is a general will for it as the upholder of an unbroken network of order over every community.

What is meant by this general will? In any community, i.e. in any area of society historically delimited, there is a hierarchy of powers: the *legislative* sovereign or the existing Government; the *ultimate* sovereign or the will of the people, which is the will of a victorious element not so much "for or against a definite object of legislation as a general sentiment in support of one particular government rather than another"; underlying both is the *general will* which is a general recognition of the universal services of law

and government. "The general will unites those who win and those who lose. It is the will not for a policy but for the State."

This conception of the general will is not very clear. Prof. MacIver describes it as the will for and not the will of the State. But what does the will for the State mean? It is "half buried in the unreflecting life of everyday." It is "unformulated though very real." It may be a passive acquiescence or an active co-operation. In non-democratic communities a despot may touch so lightly the everyday life of the people—may so avoid any interference with their vital customs—that they are not stung into overthrowing him. In democratic communities it is argued that a general will exists when minorities acquiesce in the decisions of majorities because they hold the general order to be of greater importance than their particular interests. But how do we know that they have considered the importance of the general order at all? Should they have done so and yet decided that their own interests or convictions were paramount they may be unable to make manifest their disapproval. Under a despot they might lack the power. In democracies, unless they were grouped conveniently for secession, they can do nothing but passively resist—Prof. MacIver argues that "the exercise of the right to vote is an implied acceptance of the general order of the State." This "general will" would seem to cover all the forces—physical and mental—whose resultant is the continued existence of the State. It means that in any community certain rules can be universally enforced by virtue of the distribution of power and the awareness or apathy to their interests that exist among its members. But it is confusing to apply such a term as "general will" to the totality of habits, traditions, fears and thoughts whose resultant is the continuance of the State. It is better to keep the term for that ideal of conscious co-operation between individuals and the State which would be realised were laws obeyed only because they were by individuals recognised as the necessary condition of what they hold worthy of pursuit. It would then be realised that it is the duty of the statesman to strive to create a general will by discovering that scheme of laws which must, if men are rational, secure their recognition. If we speak of a will for the State, when will may mean habitual acquiescence in rules intended to further purposes neither common nor understood, there is a danger that existing laws, because they are obeyed, may be regarded as securing purposes which would be accepted if they were understood—which is not far from the

position of the metaphysicians who saw in the State the embodiment of the conditions necessary to our best selves.

The historical introduction outlining the emergence of the State and its disentanglement from the Church, the discussions as to the relation between economic and political power, and the demarcation of the province of the State as an instrument of government, are marvels of compact and lucid generalisation. But the vague hypothesis of a general will does not solve the problem of political obligation.

K. B. SMELLIE.

The Social and Economic History of the Roman Empire. By M. ROSTOVZEV. Oxford: Clarendon Press, 1926. Pp. xxv+695.

Few students of Roman history will agree with everything Rostovzev has to say about the economic and social evolution of the Empire, but even those who disagree will have to acknowledge the greatness and courage of Rostovzev's conception. It requires a great deal of courage for a scholar of Rostovzev's eminence to write a connected account of the whole of the economic and social history of Rome: it requires still more courage to attempt it in the way Rostovzev has done. He has concentrated all his attention and scholarship on the most essential problems of the subject, including all those on which so many reputations have already been shipwrecked. The economic background of the main political changes, the evolution of Roman agriculture, industry and trade, the interaction of imperial policies and local economic traditions, the composition of the army and its rôle in the social evolution of the Empire—what a formidable array of insoluble problems to tackle!

As is natural in a book of this kind, the conclusions on each of these separate issues all converge upon a single theory explaining the social causes of the Empire's fall. Rostovzev's reading of the social evolution of the Empire is very simple. He follows the obvious division into three main epochs: the pre-Augustan period of rise, the Augustan-Flavian-Antonine period of fulfilment and the post-Aurelian era of decay. The main phases in the economic evolution of the Empire corresponded to these three ages—its youth, manhood and senility—and each of these ages was distinguished by a social organisation of its own.

In the pre-Augustan era the Roman state was led and supported by the aristocracy of Rome and the Italian towns. The social wars of the first century and the Augustan peace ushered in the

first great change. The "social basis" of the state was widened to fit the imperial scale of its political and economic life. The Augustan, Flavian and Antonine Emperors based their power upon the support of the wealthier urban classes of provinces as well as of Italy. The new ruling class differed from the old one not in its social function or economic position, but merely in its geographical distribution. The changes of the first century were therefore not in contrast to the evolution of the preceding epoch: the social revolution of the Augustan age was a stepping-stone to further growth, a landmark in the upward trend.

The golden age of the "bourgeois" Empire lasted all through the first and the second centuries and ended as it began—in social strife. The reigns of Marcus Aurelius and Commodus closed the era of internal peace and prosperity. The military anarchy and the incessant social wars of the third century signalled the rise of a new social organisation and a new combination of classes. The peasant classes stirred to life by the changes in the composition of the army and by the "anti-bourgeois" leanings of the military usurpers, rose against the towns. The war against the *bourgeoisie* was carried on by the soldiers, who at that time were but peasants in uniform. They fought nominally in support of the various aspirants to the Imperial throne; but in reality they were asserting their own power on behalf of their class and translating into action the rustics' hatred of their urban rulers.

The net result of the civil war was the destruction of the *bourgeoisie* and the decay of city life, and in so far as the prosperity of the Empire had been created by the capitalistic *bourgeoisie* and centred upon the towns, the decay of the urban capitalism meant also the economic decay of the Empire. Thus the social revolution of the third century, unlike that of the first, constituted a stage of decay and not of growth; but like the revolution of the first century, it did not come unheralded and unprepared. It merely gave a violent twist to a development that had been going on before the outbreak of the revolutionary forces and would have worked out its full effects without their assistance. The cost of administering and defending the Empire was too heavy for the urban population to bear. Although the main burden was often shifted to the shoulders of the peasants, the system of "liturgies," compulsory fiscal services and responsibilities for the yield of the imposts, had a devastating effect upon the upper classes of the towns.

The return of peace under Diocletian and Constantine could therefore do very little to arrest the decay of the Empire. The

few very rich men of the senatorial class could maintain their prosperity under the despotic rule of the later Emperors, but the urban middle classes, the backbone of the old Empire and its civilisation, went down never to rise again. The Roman civilisation was urban in origin and character, it was "upper middle class" in its social contents, it was capitalistic in its economic organisation. What emerged in the fourth century was a rustic society thrown back towards provincial isolation and household economy of pre-Roman days. Diocletian and Constantine put an end to the civil war, but could not undo its work. They accepted the situation and only tried to hammer out new political and fiscal organisations to suit it.

This is Rostovzev's version of the Decline and Fall. There is nothing in his main thesis that a student of economic history would find exceptional. That the Empire's greatness, its civilisation and prosperity were all founded upon city life seems to be generally admitted; that during the golden age of the Empire city life developed even higher than is commonly assumed Rostovzev proves to the hilt; that the decay of city life under the later Empire was, therefore, the main aspect of the Empire's decline seems therefore a very acceptable deduction. Equally acceptable seems to be Rostovzev's explanation of the main causes of the decline. He dismisses in a few sentences Seck's and Liebig's theories of racial degeneration or the exhaustion of the soil. In common with most historians he ascribes the decline of the towns, and consequently of the Empire, to the financial burdens of defence and administration and to the ruinous organisation of taxation. The Roman Empire "was not civilised enough" (i.e. its economic life was not sufficiently developed) to bear the burden of maintaining itself as a single political unit. It was a victim of its own magnitude.

Where Rostovzev does challenge the accepted views, and is likely to be wrong, is not where he explains *why* the decay occurred, but where he tries to demonstrate *how* it proceeded. Anti-Marxian as he is, he differs from an ordinary Marxian by his social sympathies rather than in his historical method. He treats social changes as different phases of class war, and then, whenever he deals with the conflict of classes, he thinks in terms of the same classes as he sees battling in our own society. His peculiar method and phraseology (both of which are very Russian) have led him to that fascinating theory according to which the decay of urban civilisation in the third century found its expression and culmination in the peasant war against the *bourgeoisie*. It

is quite possible that when new evidence is available this interpretation of the military anarchy of the third century may prove correct. But in the light of the evidence which Rostovzev himself adduces it seems far-fetched. His chief evidence is the fact that the soldiers looted the towns they took in the course of the internal wars of the century. If the looting of a town by soldiers is evidence of social struggle against the *bourgeoisie*, one trembles to think of what medieval history would have looked like in Rostovzev's interpretation.

However, this observation is not meant to detract from the greatness of the book and would not change our estimate of Rostovzev's achievement.

The book is sumptuously published by the Oxford Press. The illustrations are of absorbing interest: the notes and the bibliographical references are a mine of information.

M. M. POSTAN.

A Short History of the British Working Class Movement, 1789-1925.

Volume II. 1848-1900. By G. D. H. COLE. The Labour Publishing Co. 1926. pp. 211. 6s.

Mr. Cole's method of taking three bites to a cherry—two was his first estimate—lightens the labour of chewing, but it has its disadvantages. The first volume of his history, reviewed in this journal in the number for June, 1926, dealt with a period which has unity. In travelling from the French Revolution to the collapse of Chartism, or from the Industrial Revolution to the dawning of the Golden Age, we feel that the beginning and end of our journey are marked by legible signs. Mr. Cole, however, seemed to mistake the unity of the period for unity in his subject, and stated emphatically that he hoped "to drive home the truth" that there are not three Labour Movements, but one Labour Movement. In this second volume there is no unity of period. The year 1900 is a very bad halting place, falling, as it were, in the middle of the third act of the drama. Nor is there unity of subject. It is now "on the division of the workers' movement" that the stress is laid. But this method of presenting the middle period as a lapse from a union realised in the past and to be realised again in the future seems to rob it of all meaning. It was not an interlude, any more than the Commonwealth was an interlude between the earlier and the later Stuarts, and the Restoration a victory for the principles of Charles I.

If, however, we cease to regard this work as an essay in interpretation, and treat it frankly as a text-book, we shall find much to

praise. Mr. Cole's special knowledge of Trade Union organisation enables him to give by far the clearest short account yet written of the obscure struggles that fill the dark days between the defeat of the Grand National and the rise of the Junta. He points out that there were really two New Models, represented by the Engineers and the Cotton Operatives. They differed in many important respects. "While the engineers had a centralised constitution, but local bargaining, the cotton operatives had a localised constitution, but tended more and more to central bargaining." The engineers were a Union of skilled craftsmen basing their power on apprenticeship and the control of admission to the trade. The cotton operatives fought for legislation to limit their hours of work. Particularly good is the account of the International Working Men's Association, showing, as it does, how British labour leaders could reconcile the support of revolutionary movements abroad with the prosecution of strictly constitutional methods at home. The story of the modern Socialist movement would have been equally successful had Mr. Cole managed to concentrate it more. It suffers from a fragmentary and disconnected treatment. In describing the New Unionism of the 'nineties he might have paid more attention to the problem of the General Workers.

The chapters on the legislation of the 'seventies, in spite of the almost verbal fidelity to the Webbs, are not entirely satisfactory. Subsequent controversy was occasioned principally by the emergence of conditions not foreseen by the legislators. But these new conditions are present in the minds of Mr. Cole's readers, and a summary of the laws as they appeared to the average contemporary has become inadequate. Some indication of what they did not do is now imperative. For example, the student who reads that the Act of 1875 legalised peaceful picketing will be surprised if he is told that it excluded "persistently following" and "watching and besetting" the place of work or residence. These are the most prominent features of peaceful picketing as he understands them. There is a similar difficulty in the case of the Act of 1871.

Some historians seem anxious to minimise the suffering caused by the Industrial Revolution during the age of transition. Mr. Cole belongs rather to the school that grudges it any credit for the prosperity that followed in mid-Victorian days. "The main body of the workers," he tells us, "successfully emerged from the utter ruin which had overtaken them during the Industrial Revolution," suggesting that they were conquering an enemy

rather than being advanced by a friend, and forgetting that the "main body of the workers" was not directly affected by the Industrial Revolution at all. There is need of a definition, and an analysis, of the Working Classes. We read of a "mass," or alternatively a "morass," of unskilled labour, we hear that the artisans were getting richer and that a large middle class was being created, but what proportion these groups bore to one another, and whether the middle classes were, or ever had been, workers, we are not told.

On p. 24 there is a summary of wage movements since 1850 which does not faithfully reflect the statistics of real wages printed at the end of the volume. The rate of infant mortality is said to have risen, between 1850 and 1900, from 14.6 to 15.4. The figures are misleading. If we take ten year averages we find the rate remained constant at 15.4, except for a slight decline between 1870 and 1890. It is true that there is no progress to record here, but there was not a set-back.

T. H. MARSHALL.

A Tabular Guide to the Foreign Trade Statistics of Twenty-one Principal Countries. By FREDERICK BROWN. (Compiled for the London and Cambridge Economic Service.) Students' Bookshops Ltd. 1926. pp. 125 + 33. 5s.

Mr. Brown's *Guide to Foreign Trade Statistics* is obviously the result of much arduous work and detailed inquiry. The information which he has collected concerning the foreign trade figures of twenty-one countries is grouped into three main tables and a supplement; the first table covers 27 pages, the second 4, and the third 82, while the supplement covers 33 pages. The first table deals with the customs areas, the fiscal year, the official publications, the classification of merchandise, the position of bullion and specie, the broad division of trade, general, special, transit, etc., the country of origin of imports and the country of destination of exports, the methods of valuation, the treatment of packing materials, the determination of quantities and whether returns are given for the trade of particular ports and districts. Mr. Brown has condensed this somewhat extensive explanation, definition and interpretation of the trade terms into twenty-one points, to which he tabulates the answers so far as they have been available. The second table deals mainly with the inclusions and exclusions of certain foreign trade returns from the import and export classification. Among the twelve points covered are the rules with regard to letter post, parcel post,

samples, bunker fuel, ships' ballast, the deep sea fisheries, and so on in the different countries surveyed.

Table III, which is much the most elaborate, is an attempt to show the geographical distribution of the external trade of the chosen twenty-one countries. It shows in each case the import and export figures in 1913 and 1923 with 188 possible geographical areas, explaining at the same time whether the returns for such areas as, say, the Falkland Islands, Angola, Seychelles, appear in a separate statement or are grouped into some general designation. The supplement brings the figures up to the end of 1924.

Mr. Brown's first two tables are an interesting commentary upon the intricacies and variations in the methods of arranging foreign trade figures at present practised by governmental authorities, and also constitute a serviceable introduction to those who desire to interpret these figures for purposes of economic argument, as well as a warning of the pitfalls of comparisons. He does not enter into any discussion of the methodology of these trade classifications, but gives a concise summary of the rules for reference. The third table, dealing with trade distribution, finds its chief merit in its comprehensive survey of trade areas under the different names assigned to them in many different languages, and it may be the means of saving much time in finding out under what head the trade of an area is really returned. There has been a great deal of detailed inquiry necessary to produce this return, but it is doubtful if it serves the purpose of assisting a student of trade distribution in defining the main channels of a country's import and export trade. The method of tables, which serves well in the first two cases, fails to give any clear picture of this question, and a short statistical abstract for each country would have been likely to yield a much more interesting and effective result. Apart from this, however, Mr. Brown has carried through a somewhat difficult piece of detailed work with great credit, flanked, as he was, on the one hand by M. Julin's methodological study, *Statistique du Commerce Extérieur et des Transports*, and on the other by the League of Nations' *Memorandum on Balance of Payments and Foreign Trade Balances*. The ground covered by the Tabular Guide is not identical with that of the latter survey and many will prefer the clear comparative survey provided by Mr. Brown in Tables I and II to the more involved accounts given country by country in the League's Report.

R. B. FORRESTER.

The Public Mind. By NORMAN ANGELL. Noel Douglas. 1926.
Pp. 220. 7s. 6d.

Political Myths and Economic Realities. By FRANCIS DELAISI.
Noel Douglas. Pp. ix+409. 16s.

The attempt to analyse the constituent elements of "public opinion" has only recently been seriously undertaken, but as new books appear upon the subject it becomes clear that some progress has been made. In recent books dealing with public opinion Mr. Norman Angell and Mr. Delaisi have not, it is true, added much to the existing analysis: both, however, illustrate an aspect of their analysis and, in contrast to most of the books which appeared only a few years ago on the subject, both of them use concepts which are intelligible and terms which can be defined. We have at least passed the stage of talking of "general wills" which belong to no one in particular and we do not now forget to emphasise the fact, at which President Lowell has hinted, that public opinion is usually the flattering substitute for private opinions and public emotions. "Crowd-psychology," "mass-consciousness" and "group minds" may, it is to be hoped, soon cease to confuse thought. Writers like Mr. Trotter and M. Le Bon have done something to illustrate the follies into which the common emotions of numerous persons in time of war may lead even intelligent persons like themselves. They at least called attention to the need of careful study of the phenomena they described. A more scientific approach may now be possible. There came a time when men ceased to speculate about "monads" and "vortices" and began instead to examine matter itself; in the same way, we may perhaps be able to discard the fictitious categories which retard the advance of social psychology and undertake the labour of examining the complex methods by which men, organised in groups, come to hold a single opinion or feel a common emotion. Historical analysis of public opinion has just begun; we have scarcely set to work to sift the data contained in newspapers and reviews, in correspondence and biography. The historian is discovering that his analysis is not only incomplete but also misleading if he is content to describe what happened and to neglect the further question of what was believed to have happened and what emotions and ideas were evoked by the events. If he neglects psychological factors he is unable to explain the simplest political or economic phenomena. Most of the work, naturally enough, is being done upon recent history, when, for the first time, the manipulation of public opinion has become a conscious art.

Material for psychological examination of the period before and during the war of 1914-18 is rapidly accumulating. Men whose business it was to mobilise opinion in every country and to decide what news should be known and what rumours spread have described the mechanism and effects of their propaganda. George Creel in America, Sir Campbell Stuart in London, Colonel Nicolai in Germany and Waitz and Tonnelet in France, have divulged some of the secrets of propaganda, while Dr. Lucien Graux has devoted five volumes to the art of lying during the war.¹ German writers have been concerned not only to disclose the use of propaganda against Germany, but also to attempt wider generalisations from their examination and Tönnies' immense "*Critik der öffentlichen Meinung*" discusses the problem from a philosophical as well as a practical standpoint.

Other branches of sociology may lend their aid. Freud, in his *Totem and Taboo*, has shown that both psycho-analysis and anthropology may, in the future, contribute to the analysis, but that the contribution is not likely to be made by him. English and American writers on the psychology of society have approached the subject from a different point of view. Walter Bagehot, many years ago, threw out some pregnant hints; Professor Graham Wallas began the study of "political entities" or symbolic representations of complicated political units which could move large groups of persons to co-ordinated action. The use of the Press in building up a picture of the Great Society in which we live but of which we can only directly experience a fragment, has been carefully analysed by Mr. Walter Lippmann in his *Public Opinion*.

At present there is no agreed terminology. M. Delaisi now uses the term "political myth," by which he means that complex of associations which gather round the central co-ordinating political unit in a society—the Roman Emperor, the Papacy, the King by Divine Right or the modern Sovereign State. The nomenclature is not altogether happy. The word is already well worn and has been used especially by Georges Sorel to denote a conception not of present organisation, but of a future event, such as "the second advent" or the universal "general strike," which is not likely to occur, but which will create something (though not what was hoped) through the intensity of the faith which supports it. Moreover, the word myth implies that the

¹ See Mr. H. D. Lasswell's *Bibliography of Recent Literature on International Propaganda*, in the Publications of the American Sociological Society, Vol. XXXII, 1926.

co-ordinating conception which holds a political group together is necessarily a *misrepresentation* of the facts. It is clear that it will be a *simplification*; that no large group is held together by rational consideration of the advantages of co-operation nor even solely by such important factors as racial, linguistic, traditional and cultural unity. There will also be a common consciousness of unity, perpetuated by some symbolic image. But this symbol may not be actually misleading; it may be not so much a myth as a map which neglects the myriad details which compose it, but which may nevertheless enable us to steer a safe and speedy course. M. Delaisi, indeed, is able to show without difficulty that the concepts which have held men together in the past have had for the most part little relationship with the facts, have served a temporary purpose in bringing unity and have long outlived their utility. His main thesis, therefore, is that the national grouping for which men die to-day is not in fact the grouping by which they live; that economically men are necessarily internationalists, but that the political myth of the self-sufficient and ultimate national state leads them constantly to self-stultification. His remedy is no new one: he wishes to break down the national myth and to create in its place an allegiance to the international institutions which are being formed. In the League of Nations, the I.L.O., the International Chamber of Commerce and other international economic bodies, he sees the necessary institutional basis: all that is wanted is the psychological co-ordinating factor of an international myth.

M. Delaisi traces the rise, decline and fall of political myths in every age and illustrates his thesis with an abundance of historical and contemporary evidence. His book is quite unnecessarily long and often repetitious. His generalisations about the historical relationships of psychological factors to economic, racial and political ones appear to be true ones, but they would have carried greater weight if they had been developed with more precision and illustrated from a more limited field. What we need upon this subject to-day is detailed analysis, definite terms and concrete illustration.

Mr. Norman Angell, who foresaw the danger of the clash between economic realities and national loyalties before other people, and who has since borne the reproach and misrepresentation commonly allotted to those cursed with Cassandra's gift, offers us a similar thesis, based on a different selection of material. Mr. Angell has a terrible capacity for reminding us of what even usually responsible persons could say and do in the stress of a

war atmosphere. His book is invaluable for those who want examples of national folly. Moreover, Mr. Angell understands the underlying factors of the mechanism of the Press in a way which is only possible to a man who combines the intimacy of long inside experience with the detachment of wide external observation. His account of Lord Northcliffe, with whom he long worked, is the best short introduction, not only to Lord Northcliffe but also to the study of English newspapers since their revolution in 1896. Mr. Angell is of course not primarily concerned with a theoretical analysis, but with emphasising "the duty to be intelligent" and explaining that the greatest difficulty about democracy to-day is not so much, as Mr. Lippmann has suggested, that the "great society" offers problems which are too large and too complex for the capacity of the ordinary citizen, but that the nationalistic and authoritarian education still usual in modern communities does not provide him with the attitude of mind or the kind of knowledge which would enable him to form intelligent decisions about quite simple international problems. Mr. Angell's book is written for a general public, but it is full of suggestions for the academic student of problems of education and social psychology.

KINGSLEY MARTIN.

Edmund Gibson, Bishop of London, 1669-1748: A study in Politics and Religion in the Eighteenth Century. By NORMAN SYKES. Oxford University Press, 1926. Pp. xxiv + 450. 21s.

The chief problem for eighteenth century statesmanship was to consolidate the political gains of the revolution of 1688, and the first step in this process was the reconciliation of the powerful and numerous Tory clergy to the idea of a Parliamentary King. An interesting light is thrown on this difficult period of adjustment by the present biography of a Whig bishop. Edmund Gibson, known to his enemies as "Walpole's Pope," was the most powerful bishop on the bench and the third man in the State in political importance. The ruling ambition of his life was the reconciliation of Church and Crown by the creation of a strong Whig faction within the Church. His habit of bestowing preferment for political orthodoxy, his scheme for bribing the universities by conferring royal preacherhips on loyal dons, and his plan of Church reform, are typical of eighteenth century Erastianism. He hoped that as a result of these reforms the clergy would "spare no pains to demonstrate their loyalty to the

local nobility and gentry who were well affected to the administration" and the bishops would be able to keep a watchful eye on the political behaviour of their clergy.

That Gibson was only partially successful in a policy which was rapidly reducing the Church to a mere ecclesiastical department of the Whig party was due to the anti-clericalism of his political allies. His somewhat illogical combination of political Whiggism and ecclesiastical orthodoxy—he had imbibed Tory doctrines at Oxford but had persuaded himself of the *de jure* right of the Hanoverians—rendered unstable his alliance with Walpole. Yet just because of the inconsistencies and lack of depth of his ideas he was representative of a social order which combined the exclusiveness of an established church with the Whig ideal of a "joint stock company" state. He had the typically eighteenth century belief in the final perfection and delicate equilibrium of the Constitution. His certainty that if the exact degree of toleration established in 1689 were disturbed—"if toleration should break in upon the Church or the Church upon toleration"—the peace of the country would be at an end is of peculiar interest to the student of political thought. For it was this outlook which preserved the contradictions inherent in the Revolution settlement and delayed the triumph of the modern secular state for well over a century.

The book contributes much to our knowledge of eighteenth century politics and religion. Yet just because the author has wider than merely biographical aims, as the sub-title indicates, it may be criticised on broader grounds. Essentially a study of the clash of Tory Church and Whig State, of pre-Revolutionary ideas of a Christian commonwealth and the accomplished facts of the Revolution, it calls for a wider background of political philosophy and broad historical tendency than has been given us. For instance, the book contains a mass of facts about the various controversies which racked the Church. Yet Dr. Sykes does not make us feel the real conflict of fundamental social ideals caused by the Revolution, which alone could give his facts their full significance. Apparently he has not entirely understood their significance himself, for he finds the Convocation Controversy "in its theoretical and antiquarian aspect . . . undeniably dull." But as Professor Laski has pointed out, the discussion of the ideas of Hoadly, Law and Wake—and it may be added, Gibson—is "in a vital aspect the study of contemporary ideas," since the question at issue is the problem of sovereignty. The trouble seems to be that Dr. Sykes has

identified himself too completely with Gibson's view to do justice to the Tory and Non-Juror attitude of mind. Hence he can say that the Convocation Controversy "bore the character less of a struggle for the constitutional rights of the ecclesiastical parliament than of a malicious determination on the part of the Tory Presbyters to vex and harass their Whig and Latitudinarian superiors." Such phrases as "undiscriminating legitimism" and "the prejudices resulting from the excessive laudation of the principles of Divine Right, Passive Obedience and Non-Resistance," as well as what he has left unsaid, all seem to show that Dr. Sykes is following in the tradition of the dominant Liberalism of the nineteenth century, according to which the Non-Jurors and their successors the Tractarians were misguided fanatics. Of the latter and their eulogy of the Non-Jurors the *Edinburgh Review* (1843) said: "We regard them simply as unexplained phenomena: we stare at them as at a new comet, devoutly hoping at the same time that they may be found to move in highly hyperbolic trajectory, and that having swept across our system they will vanish and return no more." It may however, be conceded that there is some danger at present that the scales may be reversed too far in the enthusiasm of political pluralists for all groups which have challenged the authority of the omnipotent modern state.

In one other respect Dr. Sykes seems to follow his hero too closely. The Bishop, or Dr. Codex as he was called, had the methodical antiquarian mind of the ecclesiastical historian. He met the brilliant but often unscrupulous dialectic of Atterbury with cold, hard historical facts. According to Dr. Sykes, Gibson and Wake refuted once for all the theory of the alliance of the Church and State and the parallelism of Parliament and Convocation. These theories cannot, however, be completely dismissed on the grounds of their historical falsity without at least showing their importance. It was the habit of an unhistorical age to claim the support of history for philosophical ideas of the nature of society—for the alliance theory, the social contract and natural rights—which if historically unsound nevertheless contained an aspect of truth which needed emphasis. At bottom both theories were a reaction against the all-enveloping eighteenth century state. They expressed the important facts that Church and State could no longer be regarded as different aspects of one body and that the political function can never completely exhaust the interests and allegiance of men. Indeed they contained a grain of historical truth, in that they implied a recognition

of the fact, of vital importance to eighteenth century divines, that the secular supremacy of the eighteenth century Parliament, with its theory of legislative sovereignty, was a very different matter from the supremacy of a king ruling by divine right.

The book is interesting and full of sound scholarship. As Gibson took a prominent part in all the important movements of his day from the Societies for the Reformation of Manners and the Charity School Movement to the Deistic controversy it is both useful to the student of the period and interesting for the light it throws on eighteenth century England. The reviewer has frankly treated it from the point of view of the political scientist, and whatever has been said in criticism seeks justification in the challenge of the sub-title. For the political scientist in particular will feel that facts are not enough if they are not illumined by the broad political tendencies which form their setting.

AGNES AMES BROWN.

A City Council from Within. By E. D. SIMON. Longmans, Green. 1926. Pp. xx+246. 7s. 6d.

This is an admirable book, for Mr. Simon has not only the technical experience of a former Lord Mayor of Manchester, but also the philosophic mind broad enough to ask and answer the right questions. The subject is technical, but the style is easy, and Graham Wallas' preface supplies in the well-known inimitable way, the incitement to read, profit and invent.

It is impossible here to traverse all the topics discussed by Mr. Simon; our business is merely to recommend this book very warmly to all who are interested in local government, whether their interest is theoretical or directed to immediate practice. The subject is the Manchester City Council from Within, and the author is comprehensive, true to his title, and frank. The reader will find nowhere else a better description of the actual administrative and deliberative processes of contemporary local government. The first half-dozen chapters are concerned with the most important Committees—the Electricity, Public Health, Housing, Finance and Education Committees; and their practice in relation to the choice of chairman and his tenure of office, his relationship to the Councillors, contact between the Committee and the Council on one hand, and the heads of departments on the other, is described. We gradually perceive a complex organisation with a circulation of ideas from sub-committee to committee, from committee to Council, from professional officer to sub-committee and committees, from the locality to Whitehall; and

from Whitehall back again come fresh ideas, their source being the central authority's professional and administrative officers. Few books will give so concrete and significant an account of the extent of Government interference—and successful and beneficial interference—with the life of the individual.

There are some further and more general remarks in the Committee system in Chapter VII which consists of an analysis of the practice concerning the size of committees, co-option of members, and control by the Council. It is a pity that there is only this account of but one great city's administration; it would be highly instructive if we could compare the experience of, say, Birmingham, Glasgow, Newcastle, and places like Worcester, Exeter, Colchester. Here is a great and hitherto unused source of administrative wisdom and Governmental science.

The Chapter on Governmental Control is of immediate practical importance. Mr. Simon is a man of great social goodwill and desires to see the extension of the power of local authorities in certain directions which continental and even English experience has proved not only desirable, but distinctly feasible. Such are the powers to purchase land, to establish municipal banks, to supply milk municipally and other activities of a similar character. These powers are not granted, except under the present wasteful system of public and private legislation, simply out of fear that the local authority will misbehave. There should be small difficulty in devising a new system in which legal safeguards and local freedom to develop could be blended happily enough to still reasonable fears and liberate the civic energies which press towards a healthy and beautiful municipal life. Mr. Simon does not think that the German system in which "the cities are free to do anything which is not expressly prohibited," should supersede the English system of specific grant of powers which is so liable to abuse by interested opponents of progress. But we cannot discover whether Mr. Simon has an alternative suggestion, excepting that a committee should consider what further general powers might now be given to all local authorities in each class. Certainly, however, it is well that he has brought the present system, which he describes very vividly, to public attention, and it is to be hoped that the creative thought of readers will be turned towards the invention of an alternative.

Connected with the subject we have first discussed is the question of Exchequer grants which now amount in aggregate to about half the total sum raised by the local authorities themselves through rates. This problem, one of the most ticklish and

misunderstood, of all in English local government, is described in an easy way, and we shall without discussion leave the reader to go to these pages and make his own comment upon them.

Two other suggestions require indication. Mr. Simon reveals—as others have done before him—the fact that while the Civil Service of the central authority is recruited by a system designed to attract talent and eliminate patronage, no such system has yet been introduced into the local civil services, except in regard to professional officers. Clearly this needs alteration. The author then points out that in the local government the technician, say the medical officer or the engineer, and not a first-class administrator, is at the head of the department. He believes that this mixture of work, administrative and technical, is bad for the service : for the range of choice is narrowed to those with professional training and diplomas, and administrative activities leave the technician too little time to keep abreast with the progress of his technique. He suggests a close imitation of the practice of the central civil service method in which the professional officer is called in only where professional questions need an answer. Secondly, the town clerk, who began as the legal adviser of the Council, has in most cases become the chief administrator of all the work of the Council. His important legal position is quite comprehensible. Wherever the powers of a corporation are defined by law, its committees and officers can make no valid plans before they discover whether the law grants them the power. English local authorities are entangled in an enormous mass of law ; and to cut away the entanglement and make the way clear a legal adviser is essential. But a lawyer's training is liable to make him offer the solution that it is better to take no risks. He becomes a conservative element. And he is not likely to possess the qualities of a good administrator. Mr. Simon therefore suggests that the future town clerk should be a head official with the same kind of outlook and responsibility as the German burgomaster, the legal adviser being merely an adviser and nothing more.

We have said enough to convey to the reader the nature and importance of this book. We hope that some enterprising publishers will take the cue from Messrs. Putnams, who are producing the Whitehall series of volumes on the Departments of State, and give us a series on Municipal Government. They and the public will be fortunate if they can find for each volume a Mr. Simon.

H. FINER.

Health, Wealth and Population in the Early Days of the Industrial Revolution. By M. C. BUER. Routledge. 1926. pp. 290. 10s. 6d. net.

Miss Buer has been unlucky. She chose an admirable subject for her researches and arrived at conclusions of real historical value, only to find that she had been anticipated on nearly every point by Mr. Griffith. It was only a matter of months. Had it been more, she could have written with full knowledge of his book, and designed her own work to fill the gaps and take up the story where he left it, for there is room enough for both. As it is they have clashed. The same ground has been covered twice, the same thesis twice expounded. This is her misfortune, not her fault. The critic may compare the two books, but he must remember that, when he read the second, the theme had already lost its novelty, and he must correct the bias that this might cause.

Both writers attack the view that the increase of population in the reign of George III was due to a rising birth rate, stimulated by the Poor Law and the demand for child labour, and characteristic of a people sunk in squalor and without hope for the future. Both agree that the real cause was a falling death rate, particularly among infants, which reflected a marked improvement in public health, due partly to medical and partly to economic progress. On the statistical side Miss Buer is the less thorough of the two. For the population figures she takes Rickman's first unrevised estimate and that of Finlaison. It is impossible to get from these to the birth rate, because they were obtained simply by multiplying the number of births by an assumed birth rate. Mr. Griffith has compiled a new population table working back from 1801 on the basis of the excess of baptisms over burials. From this he can plot curves for birth and death rate, which, though only approximations, are probably as accurate as anything we are likely to get. Miss Buer reaches her general conclusions by comparing the recorded nineteenth century figures with various scattered estimates for the eighteenth century. For the birth rate she surmises a slight fall, which she does not attempt to measure. For the death rate she suggests a decline from 35 per 1,000 in 1750 to 25 in 1800 and 20 in 1815. Mr. Griffith's corresponding figures are 28.2, 23.7 and 19.9. The former makes the fall in the second half of the eighteenth century one of 28½ per cent., the latter only 16 per cent., a very material difference.

Miss Buer is thereafter occupied with the causes of the declining death rate, and claims to be able to show that "on balance,

material conditions improved enormously for the people as a whole between 1760 and 1815." In an interesting chapter on rickets and scurvy, she suggests that the conquest of these diseases in the latter part of the eighteenth century was due at least as much to the farmer as to the doctor. Both can be prevented by a diet containing fresh meat and vegetables, and of these, it is assumed, the Agrarian Revolution greatly increased the supply. The point is an important one. It has been argued that Inclosures, however much they may have increased the supplies of corn and meat, deprived the agricultural population of milk and vegetables. The market gardeners and dairy farmers sent all their produce to the towns, and the high price of corn during the wars caused a set-back in pasture farming. Evidence from the works of Young, Eden and Davies suggests that, at the end of the eighteenth century, the countryman got no meat but bacon, no vegetables but those he grew for himself—if he had a garden—and, in the southern counties, no milk at all. Conditions would appear to have been much the same in the 1840's, except for a more plentiful supply of potatoes.¹ In the towns Gaskell noticed that the Saturday market was well stocked with meat and vegetables, but only the refuse reached the factory worker, who lived on tea, bread and potatoes, with an occasional bit of bacon or a salted herring. A Wiltshire doctor in 1843 declared that, of the women who came to him, "four out of five suffer from complaints traceable to their food being insufficient in quantity, and not good enough in quality." Engels asserted that he found rickets very prevalent among the poor in 1844. Evidence of this kind, even if it could be multiplied, would not destroy Miss Buer's case. It only suggests that this is one of those improvements which "have begun with the rich," and that it might be possible to establish how rapidly it spread "to poorer and poorer sections of the population." It also gives rise to a suspicion that there may have been a relapse during and after the French Wars.

Miss Buer brings out well the main points in the history of urban improvement. In the second half of the eighteenth century the towns of England ceased to be destroyers of life. For the first time the births normally exceeded the deaths. But the problems of city life had not yet been tackled. At first it was possible to keep pace with the rising tide of population, and even to make progress, by numerous modifications of the old methods of

¹ See the *Report on the Employment of Women and Children in Agriculture*, 1843. The Wiltshire doctor's evidence is on page 58.

building, such as wider streets properly paved, larger windows and brick houses. Soon an entirely new system of sanitation became imperative, but before it could be perfected the numbers raced ahead, the reformers were left behind and the urban death rate rose ominously between 1821 and 1841. The first consequence of substituting water drainage for scavenging was that "the water supply of large sections of the community was contaminated on a vaster scale than ever before." It was the drains that caused the cholera, not the cholera that brought the drains.

On the medical side there are good chapters dealing with hospitals and dispensaries, midwifery, small-pox and fevers. The achievements, especially in the reduction of infant mortality, were remarkable. Miss Buer's picture of eighteenth century medicine would have been more complete had she included in her gallery of portraits an example of the best type of general practitioner, like Erasmus Darwin or John Fothergill, and her account of the facilities for medical training ought to include a tribute to that indefatigable teacher, George Fordyce, author of the most popular student's text-book of the day. It is a pity she did not use the information collected by Dr. Chaplin in his lectures on "Medicine in England during the Reign of George III" (1919).

Although Miss Buer writes as one who is restoring the credit of a maligned age, she is careful not to claim too much, and admits that material conditions may have deteriorated for some individuals, while improving on the average. And certainly important reservations have to be made. In the first place it is difficult to draw conclusions about the general trend of social progress from a period so full of war. In excluding the peace that followed, we are shutting our eyes to half the picture. Secondly, as Miss Buer realises, the death rate does not tell the whole story. There are many forms of illness that weaken without killing. The very advance of medicine itself may add to their number. An extremist might say that the doctors, in reducing infant mortality, were only commuting the death sentence of God into the life sentence of the manufacturer. Finally, the more credit you give to medicine for the fall of the death rate, the less remains to be attributed to economic progress. The two largest items in the Carlisle Tables for 1779-1787 are small-pox and consumption. In the former the economic factor is at its lowest; in the latter at its highest. Small-pox was vanquished during the Industrial Revolution; consumption survived to be the scourge of the nineteenth century, a scourge about which both Miss Buer and Mr. Griffith are ominously silent.

Miss Buer is not concerned to decide between conflicting claims, because she holds that advances in industry and medicine reflect two "differing aspects of one movement." This is a comforting, but inconclusive, thought. For so are the artillery and the Red Cross two parts of one army, and the same piece of steel may become a sword in the hands of one and a plough-share in the hands of another.

It is to be hoped that Miss Buer will continue her studies, with more quantitative detail, into the controversial period of the post-war years. Even the most embittered critic of the Industrial Revolution allows that its "early days" brought prosperity to the people. It is in the Thirty Years' Peace that he looks for the casualties.

T. H. MARSHALL.

The Dominions and Colonial Offices. By SIR GEORGE V. FIDDES, G.C.M.G., K.C.B. Putnam. 7s. 6d.

The India Office. By SIR MALCOLM C. C. SETON, K.C.B. Putnam. 7s. 6d.

Messrs. Putnam's have done well in establishing this series of monographs on the Departments of State, and their choice of writers makes it certain that the "Whitehall Series" will for many years hold the field. It is surprising indeed that such a series has not before been attempted. Sir George V. Fiddes was permanent Under-Secretary of State for the Colonies from 1916-21, and his long and distinguished career rightly fitted him to undertake the volume on the Dominions and Colonial Offices. That Department of them all has perhaps the most to gain by publicity. It has to show the immense strides it has made since Charles Buller lashed its personnel and methods of colonial administration with his descriptions of "My Mother Country." The pages, and there are very many of them, dealing with the evolution of the Empire and the constitutions of its various parts are not likely to be so interesting to the student of political science as those which describe the internal organisation of the Department, its method of doing business, and its relationship to the House of Commons. Chapters II, V, and VI, are here of particular significance. There emerges vividly from Chapter II, the peculiar position of the Secretary of State—compelled by stress of Parliamentary and Departmental business to leave most decisions to other people (who, again through stress of business, must further devolve), yet sharply responsible to the House of Commons for all that is done to which he puts his signature—"The Secretary

of State for the Colonies is the Colonial Office." All ranks employed in the office in 1880 numbered about sixty ; in 1900 there were ninety-nine ; in 1924 there were two hundred and twenty. The author makes the " minute " system of the Department live for laymen. " The system seems, and to a certain extent is, laborious—especially in its effect on the higher authorities ; but common sense below and the instinct of self-preservation above, combine to mitigate it. . . . It would be impossible to go too far in this direction (the replacement of minutes by oral communication), for to make it a general practice would result in grievous waste of time and would make official life in the higher ranks more of a purgatory than it is at present " (p. 21). On the whole, this is a very comprehensive and readable piece of work.

Sir Malcolm Seton's book on the " India Office " merits this judgment, too. This, again, pays a great deal of attention to the evolution and present situation of Indian Government, and with justice, since the Secretary of State in Council cannot be understood away from his Eastern setting. A curious collegiate authority—the Council—has been created to aid and advise the Secretary of State in the devising and execution of policy, and this marks the India Office organisation off from that of the Department described by Sir George Fiddes, and then there is the strange relationship and division of power between the Secretary of State and the Viceroy. Sir Malcolm does not himself show anger at the multitude and variety of questions put to the Secretary by Members of Parliament, but observes that Lord George Hamilton " has permitted himself a comment which, in a civil servant, would be rank blasphemy," and proceeds to reproduce it (p. 67). Those questions! If only Members of Parliament would realise how busy the Departments are with really important work!

Both these books suffer from a common defect. Too much space has been devoted to the general development of the sphere of authority of the Department. This is obtainable in many other forms, and no unique knowledge, such as these authors possess, is necessary for this purpose. But where their peculiar experience is indispensable is in the description and discussion of the domestic conditions and problems of their Departments. The Civil Service is an institution which varies from office to office : there are, indeed, a number of Civil Services all submitting to some common rules, but all possessing some special attributes. It is fair to suggest that the authors should have had in mind the common rule, yet should have made a special effort to bring home

to the reader wherein their own office differs from others. What do they think about the scale of pay in their Department; the age of retirement; the system of competitive examination and its products, the method of training novices to do their work, and prepare for more difficult tasks; what opinion have they of methods of promotion? These are questions to which we nowadays more than ever need answers; and there is no way of obtaining those answers except from men like Sir George Fiddes and Sir Malcolm Seton, who have known for fifteen or twenty years what it is to battle with home truths. We hope that they will yet have occasion to speak on these topics, and that the writers of succeeding volumes will treat us to a philosophy of bureaucracy.

H. FINER.

Statistical Abstract for the United Kingdom. 1911 to 1925: Seventieth Number. [Cind. 2849.] His Majesty's Stationery Office, 1927. Pp. x + 367. 6s.

It is no longer possible to criticise the *Statistical Abstract* for its lack of systematisation, as it was when I wrote in the last issue of this journal. In the new *Abstract* the contents have not only been re-arranged, but additions have been made which now constitute it "a comprehensive and handy book of reference" on which the Board of Trade is to be heartily congratulated. The book opens, like any systematic statistical year-book of a Continental country, with a brief section on the climate; population, vital statistics and migration now get thirty pages in logical order after "climate" instead of a ludicrous three and one-half sandwiched between the Patent Office and the Police Force. The additions also include nine pages on unemployment and unemployment insurance, statistics of strikes and lock-outs; industrial accidents, rates of wages, the cost of living, wholesale prices and the production of minerals and metals. Several tables have been revised, and none which the last issue contained has been omitted—which is perhaps to be regretted; for if we could have had, say, the population of the larger cities, their birth-rates and death-rates, unemployment by areas, trade with principal countries by principal articles (as in the *Statistical Abstract for British India*) and some assembled series relative to the business cycle, we could have dispensed with such bye-products of administrative accounts as the numbers of patents sealed and of persons held for trial—figures which have doubtful, if any, economic or sociological significance.

The Board of Trade is, indeed, illustrating for this country at

least the "inevitability of gradualness," for while the haphazard sequences of the 69th Abstract have been replaced in the 70th by a systematised order, it is difficult to imagine why the army, the navy, the air force and the exchequer should stand between "social, civil and industrial conditions" and production, trade and transport; while it may be doubted whether the uninitiated inquirer into population density will think to turn from the section on population to that on agricultural production to find those statistics of area which he needs for his calculations.

The merging of this abstract and the *Abstract of Labour Statistics* would prevent the duplication which now exists and would add to the convenience of the public. While it is perhaps too much to hope for this by next year, we shall expect the next number to summarise the results of the censuses of production, and since non-governmental figures (those of the National Federation of Iron and Steel Manufacturers) are now included, some day the *Statistical Abstract*, "broadening down from precedent to precedent," may give us other useful unofficial data—for instance, not only the Board of Trade's index number, but also one which, like Sauerbeck's, provides comparable figures for a long period. The 70th Abstract is a notable step in the right direction.

FREDERICK BROWN.

Mercantilism and the East India Trade. By P. J. THOMAS.
P. S. King. 1926. 10s. 6d.

Mr. Thomas has made good use of his opportunity of utilising an interesting collection of manuscripts, pamphlets and broadsides. His main theme is the "protectionist" phase of mercantilism that centred round the activities of the East India Company in the seventeenth and eighteenth centuries. After discussing shortly the objects and methods of English mercantilism in general, he deals in detail with the position of Indian textiles in the English market, the growing jealousy of the English woollen and silk industries, the ensuing tariff controversy, the ultimate victory of protectionism and the prohibition of the use and wear of Indian textiles in England.

Mr. Thomas brings out clearly the fact that mercantilism was not a consistent set of economic principles and precepts, but rather "a shifting combination of tendencies which, although directed to a common aim—the increase of national power—seldom possessed a unified system of policy, or even a harmonious set of doctrines." The agitation against the importation of

textiles from India, however, led to the crystallisation of the protectionist doctrine of mercantilism, and also to the birth of a novel view of free trade. The last decade of the seventeenth century was therefore a "seed-time" in the history of economic thought. Mr. Thomas's analysis of the arguments advanced by the several parties to the controversy is the most original portion of his work, and includes an interesting criticism of Sir William Ashley's theory of the Tory origin of "Free Trade."

The book is brightly written throughout, and contains entertaining passages describing various aspects of the protectionist agitation.

VERA ANSTEY.

The Industrial History of England. By H. DE B. GIBBINS. Twenty-eighth Edition. Revised and Enlarged by J. F. REES. Methuen. 1926. pp. x+244. 5s.

The twenty-eighth edition of an elementary text-book does not usually need special notice, especially when the author has been dead nearly a score of years. The necessity arises in this case because Professor J. F. Rees has not only revised the work, but has written new chapters which amount to fully one-third of the book. These new chapters deal with such thorny subjects as pre-Norman feudalism, the Great Plague, and the economic changes of the sixteenth century. Needless to say, they constitute the most valuable portion of the book, and go some way to remove the blemishes which have restricted its use as an academic text-book in the past. Unfortunately, Professor Rees has been too merciful in revising the older chapters; these still contain many statements of fact which are not compatible with Professor Rees's work, and which do not always agree even among themselves.

This criticism is not meant to reflect unfavourably upon Professor Rees's work as editor. It is (as Professor Rees points out) always extremely difficult to revise another's work. Only errors of fact can be corrected; and points of fact shade off imperceptibly into statements of opinion which must be respected, if the individuality of the book is to be preserved. We are grateful to Professor Rees for the new chapters, the new maps, and the excellent bibliography. He has worked hard at a thankless task. We trust that, when the next revision is called for, he will insist on writing, not one-third of the book, but the whole of it.

ARTHUR REDFORD.

Books and Pamphlets Received

(Books marked * are among those reviewed in this number; for a complete list of Book Reviews in this number, see page ii of cover.)

- H. E. BARNES (ED.): *History and Prospects of the Social Sciences*. Knopf, 21s.
- SIR ERNEST BENN: *The Letters of an Individualist to "The Times," 1921-26*. Ernest Benn, 3s. 6d.
- CARL BERGMANN: *The History of Reparations*. Ernest Benn, 21s.
- ERNEST L. BOGART and CHARLES E. LANDON: *Modern Industry*. Longmans, Green, 16s.
- ARTHUR L. BOWLEY and SIR JOSIAH STAMP: *The National Income, 1924*. Clarendon Press, 3s. 6d.
- CARL BRINKMANN: *Recent Theories of Citizenship in its Relation to Government*. Humphrey Milford, 7s.
- *FREDERICK BROWN: *A Tabular Guide to the Foreign Trade Statistics of Twenty-one Principal Countries*. Students' Bookshops, 7s. 6d.
- J. C. COYAJEE: *India's Currency and Exchange Problems, 1925-27*. P. S. King, 1s. 6d.
- *FRANCIS DELAISI: *Political Myths and Economic Realities*. Noel Douglas.
- FRIEDRICH ENGELS: *The Peasant War in Germany*. Allen and Unwin, 4s. 6d.
- HANS FREYER: *Der Staat*. Leipzig: Ernst Wiegandt, M.5.50.
- ALEXANDER GRAY: *Family Endowment: A Critical Analysis*. Ernest Benn, 4s. 6d.
- KARL HELFFERICH: *Money*. Ernest Benn, 52s. 6d.
- W. NEMBARD HIBBERT: *International Private Law, or the Conflict of Laws*. University of London Press, 10s. 6d.
- PIERRE DU JARRIC: *Akbar and the Jesuits*. Routledge, 12s. 6d.
- R. A. LEHFELDT: *Money*. Oxford University Press, 2s. 6d.
- LEVERETT S. LYON: *Making a Living: The Individual in Society: An Introduction to Vocations, Business, Civics, and the Problems of Community Life*. Macmillan, 7s.
- CONSTANTINE E. MCGUIRE: *Italy's International Economic Position*, 12s.
- F. R. E. MAULDON: *A Study in Social Economics: The Hunter River Valley, New South Wales*. Melbourne: Robertson and Mullens, 12s. 6d.
- NORA MILNES: *The Economics of Wages and Labour*. P. S. King, 8s. 6d.
- PATRICK NOLAN: *A Monetary History of Ireland: Part I: Ancient Ireland*. P. S. King, 5s.
- CECIL CLARE NORTH: *Social Differentiation*. Humphrey Milford, 11s. 6d.
- SIR GEORGE PAISH: *The Road to Prosperity*. Ernest Benn, 6s.
- A. C. PIGOU: *Industrial Fluctuations*. Macmillan, 25s.
- V. SHIVA RAM: *Comparative Colonial Policy with special reference to the American colonial policy*. Longmans, Green.
- N. G. RANGA: *Economic Organisation of Indian Villages*. Bezvada: Vani Press, Rs.2.
- J. H. RICHARDSON: *A Study on the Minimum Wage*. Allen and Unwin, 7s. 6d.

- ROLLIN ALGER SAWYER : *Henry George and the Single Tax : A Catalogue of the Collection in the New York Public Library*. New York Public Library.
- H. SINHA : *Early European Banking in India, with some reflections on present conditions*. Macmillan, 12s. 6d.
- J. C. SINHA : *Economic Annals of Bengal*. Macmillan, 12s. 6d.
- SIR JOSIAH STAMP : *The Statistical Verification of Social and Economic Theory*. Oxford University Press, 1s.
- *JAS. T. SUTCLIFFE : *The National Dividend : An Enquiry into the Amount of the National Dividend of Australia and the Manner of its Distribution*. Macmillan, 3s. 6d.
- *NORMAN SYKES : *Edmund Gibson, Bishop of London : A Study of Politics and Religion in the Eighteenth Century*. Oxford University Press, 21s.
- T'ANG LEANG-LI : *China in Revolt*. Noel Douglas, 7s. 6d.
- EDGAR THOMAS : *The Economics of Small Holdings*. Cambridge University Press, 4s. 6d.
- WILLIARD LONG THORP : *Business Annals*. New York : National Bureau of Economic Research.
- S. UYEHARA : *The Industry and Trade of Japan*. P. S. King, 15s.
- CORREA MOYLAN WALSH : *The Four Kinds of Economic Value*. Humphrey Milford, 8s. 6d.
- H. G. WELLS : *Democracy under Revision*. Hogarth Press, 2s.
- GERTRUDE WILLIAMS : *A Synopsis of Economics*. Methuen, 4s. 6d.
- Britain Looks Forward : Studies of the present conditions by various writers*. Fisher Unwin, 6s.
- L'Esprit International*, 1^o Année, N^o 1. Paris : Hachette.
- More Books to Read (1920-26) on Social and Economic Subjects*. Fabian Society, 6d.
- Agricultural Research and Administration in the Non-Self-Governing Dependencies*. [Cmd. 2825.] His Majesty's Stationery Office, 2s.
- Committee on Industry and Trade : *Facts in Industrial and Commercial Efficiency*. His Majesty's Stationery Office, 5s.
- Home Office : *Workmen's Compensation : Statistics of Compensation and of Proceedings . . . during the year 1925*. [Cmd. 2784.] H.M.S.O., 9d.
- Public Accounts Committee : *Epitome of the Reports from the Committees of Public Accounts, 1857 to 1925*. (H.C. 161.) H.M.S.O., 12s.
- Reparation Commission : *Official Documents XIV : The Experts' Plan for Reparation Payments*. H.M.S.O., 7s. 6d.
- Reparation Commission : *Official Documents XV and XVA*. H.M.S.O., 3s. each.
- Report of the Committee on National Debt and Taxation*. [Cmd. 2800.] H.M.S.O., 7s. 6d. *Appendices*, 5s. 6d.
- Report of the Delegation appointed to Study Industrial Conditions in Canada and the United States of America*. [Cmd. 2833.] H.M.S.O., 1s.
- Report of the Home Office Departmental Committee on the Supervision of Charities*. [Cmd. 2823.] H.M.S.O., 9d.
- Report of the Unemployment Insurance Committee*. First volume. H.M.S.O., 1s.
- Sixty-Ninth Report of the Commissioners of H.M. Inland Revenue for the year ended 31st March, 1926*. [Cmd. 2783.] H.M.S.O., 2s.
- **Statistical Abstract for the United Kingdom . . . 1911 to 1925*. [Cmd. 2849.] H.M.S.O., 6s.

List of Theses in Economics and Allied Subjects in progress in Universities and Colleges in Great Britain and Northern Ireland

THE following is the third annual list of theses in preparation at the various universities, and includes those mentioned in the second annual list (June, 1926) which have been completed, those which are believed still to be in progress, and theses registered during the past twelve months. This year certain researches are included which are not intended to be presented for degrees, and these are indicated by an asterisk (*). It is the hope of the editors that such lists will prevent overlapping and will help students in similar fields to know one another.

The list below of theses in preparation gives, in the following order, the name of the student, the place of his graduation, the title of his thesis, the probable date of completion and, in italics, the university or college at which he is preparing it. The initials L.S.E. are printed throughout for the London School of Economics and Political Science, University of London.

Economics (Descriptive and Analytical)

- C. DOUGLAS CAMPBELL. Manchester. The problem of canal transport. 1927. *Manchester.*
- HARRY CAMPION. Manchester. The financing of the cotton industry. 1927. *Manchester.*
- S. P. DOBBS. Cambridge. The clothing industry in Great Britain. 1928. *L.S.E.*
- D. E. EVANS. Cardiff. The British income tax before 1900 in the light of legislation passed, public enquiries held and literature relating to the subject. 192—. *L.S.E.*
- E. BOWYER. L.S.E. English Mediterranean trade in the fifteenth century. 1927. *L.S.E.*
- DAVID FERGUSON. German war finance. 1927. *Emmanuel, Cambridge.*
- ETHEL MARY HAMPSON. Liverpool. Poor law administration in Cambridgeshire prior to 1834. Completed. *Liverpool.*
- G. T. JONES. Cambridge. Some aspects of diminishing and increasing returns. 1928. *Emmanuel, Cambridge.*
- M. A. KHAN. Panjab; Aligarh. Factory labour in the Punjab. 1928. *L.S.E.*
- *J. S. KING. London. The labour requirements of farming systems. *Reading.*
- H. J. LIDDINGTON. L.S.E. The reciprocal influences of economics and accountancy. 1928. *L.S.E.*
- E. A. LLOYD. Aberystwyth. A comparative study of the labour movement in England, France and Italy. 1928. *L.S.E.*

- D. MITRANY. Paris ; Hamburg. The economic and social effects of the agrarian reforms in south-eastern Europe. 1927. *L.S.E.*
- J. E. NORDSKOG. Drake ; Columbia. Economic value and distribution. 1928. *L.S.E.*
- I. D. PARSHAD. Panjab. Indian foreign trade 1600-1925. 1928. *L.S.E.*
- HANNAH RICHARDS. Wales. Poor law administration in South Wales prior to 1834. 1928. *Liverpool.*
- ARTHUR SHARP. Manchester. An investigation into the growth and development of the Swiss coal tar colour industry. 1927. *Manchester.*
- C. N. B. THOMAS (undergraduate). Marketing of milk. 1927. *Bristol.*
- H. F. TSENG. Nankai. Problems of Chinese public finance. 1928. *L.S.E.*
- S. P. VILJOEN. Cape Town. The scope of economics and its relation to the social sciences. 1928. *L.S.E.*
- (Miss) WARREN (undergraduate). Domestic servant problem. 1927. *Bristol.*
- J. WEDGWOOD. *L.S.E.* Economics of inheritance and inheritance taxes. 1929. *L.S.E.*
- D. YACOMENI (undergraduate). Economics of ocean transport. 1927. *Bristol.*

Economic History

- G. C. ALLEN. Birmingham. The economic development of Birmingham and the Black Country since 1860. 1928. *Birmingham.*
- VERA ANSTEY. *L.S.E.* Economic development of India since 1900. 1928. *L.S.E.*
- F. BLACKBURN. Manchester. The industrial revolution at Blackburn. 1928. *Manchester.*
- SYBIL CAMPBELL. Cambridge. Economic aspects of the changes in the usury laws during the first half of the nineteenth century. 1928. *L.S.E.*
- H. R. M. CHAMBERLAIN. *L.S.E.* Emancipation from slavery in the British Empire. 1927. *L.S.E.*
- H. E. CHESNEY. Sheffield. Sequestrations of estates, 1643-1660. 1928. *Sheffield.*
- N. CLEMENTS. *L.S.E.* The progress of the industrial revolution from 1850 to 1890. 192-. *L.S.E.*
- PHYLLIS M. CROWTHER. Reading. The reclamation of the Huntingdonshire fens. 1929. *Reading.*
- W. C. DICKINSON. St. Andrews. The administrative history of Scotland from the reign of David I to the union of crowns in 1603. 192-. *L.S.E.*
- R. C. H. DUNBAR. *L.S.E.* The history of grants in aid of education in England from 1835. 1931. *L.S.E.*
- A. R. FIKRY. *L.S.E.* Economic development of Egypt since 1879. 192-. *L.S.E.*
- A. T. FLIGHT. *L.S.E.* Social legislation relating to mining : nineteenth century. 1929. *L.S.E.*
- D. M. GOODFELLOW. *L.S.E.* History of the iron and steel shipbuilding industry. 1930. *L.S.E.*
- OLIVER GRAHAM. Manchester. One hundred years of the Dundee jute industry. 1930. *Manchester and St. Andrews.*
- H. G. GREEN. King's College, London. Agrarian developments and problems, 1640-1660. 1930. *L.S.E.*

- M. V. GREGORY. Manchester. The place of economic history in education. 1928. *Manchester.*
- T. P. GUNTON. L.S.E. The effect of economic changes on educational practice since 1800. 1929. *L.S.E.*
- BERTHA HALL. L.S.E. The financial activities of Pallavicino and certain other Italian financiers under Elizabeth. 1927. *L.S.E.*
- ANN HAMBROOK. L.S.E. English commercial policy with special reference to France, 1660-1713. 1927. *L.S.E.*
- S. H. HEYMANSON. Melbourne. The relations between the British Empire and the United States in the twentieth century. 1929. *L.S.E.*
- MARGARET JAMES. Girton. Social and economic projects and policy under the Commonwealth. Completed. *L.S.E.*
- GILBERT JENKINS. Manchester. The trade cycle, 1821-1840. 1927. *Manchester.*
- E. GWYN JONES. Great Britain and the economic development of the Argentine Republic. 19-. *Cambridge.*
- J. S. JONES. L.S.E. England's foreign trade in the first half of the nineteenth century. Completed. *L.S.E.*
- A. V. JUDGES. King's College, London. The relation between the Crown and the commercial classes from the dissolution of Parliament in 1629 to the Civil War. 1928. *L.S.E.*
- DORIS A. LEECH. Oxford; Manchester. England and the Hansa in the reign of Richard II. 1928. *L.S.E.*
- J. D. S. PAUL. Yale. Mining in Cumberland in the sixteenth century. Completed. *L.S.E.*
- IVY PINCHBECK. Nottingham. The work of women in agriculture, 1760-1845, and the influence of the agrarian revolution thereon. 1927. *L.S.E.*
- M. M. POSTAN. L.S.E. English trade in Northern Europe in the fifteenth century. Completed. *L.S.E.*
- *E. PRITCHARD. Oxford. Economic development of the Midland coal fields in the 19th century. *Birmingham.*
- GEORGE PRYDE. St. Andrews. Scots Burgh finances prior to 1707. Completed. *St. Andrews.*
- E. E. RICH. Cambridge. The attitude of public opinion to State education (English nineteenth century.) 1930. *L.S.E.*
- D. W. ROBERTS. L.S.E. The history of the Corn Laws, 1815-1846. 1928. *L.S.E.*
- S. H. ROBERTS. Melbourne. French colonial policy with special reference to the period since 1870. 1927. *L.S.E.*
- H. M. ROBERTSON. Leeds. The growth of economic individualism in England in early modern times. 1928. *Emmanuel, Cambridge.*
- W. ROBY. Manchester. The Levant Company and trade, 1601-1681. 1927. *Manchester.*
- J. C. ROCHE. Birmingham. The history of the Birmingham jewelry trade. Completed. *Birmingham.*
- H. STANNERS. L.S.E. Social life in towns in England other than London, 1800-1830. 1929. *L.S.E.*
- ANNIE M. TAYLOR. University College, London. The organization and development of the silk industry in the seventeenth century. 1930. *L.S.E.*

- G. TAYLOR. Manchester. The land question in the seventeenth century. 1931. *L.S.E.*
- W. H. B. TWAINLEY. Cambridge. The currency question in the American colonies before the Revolution: the transition from the pound to the dollar. 1929? *Emmanuel, Cambridge.*
- S. S. WILSON. Oxford. Social conditions with special reference to unemployment in the years following 1815. 1928. *L.S.E.*
- J. WOOD. Manchester. The trade relations of England and France in the later Middle Ages. 1930. *L.S.E.*
- DOROTHY M. B. WOODHEAD. Liverpool; *L.S.E.* Alien immigration in England from the revocation of the Edict of Nantes to 1750. 1928. *L.S.E.*
- NUR J. MD. YUSUF. Lucknow. Administration of the East India Company, 1757-1784. 1928. *L.S.E.*
- I. S. ZRAVITCH. Moscow; *L.S.E.* Agrarian history of the fifteenth century (English). 1930. *L.S.E.*

Currency and Banking

- L. AARONSON. *L.S.E.* Recent developments in popular banking. 1930. *L.S.E.*
- A. R. BURNS. *L.S.E.* Money and monetary policy in early times. Completed. *L.S.E.*
- A. F. DOWNS. *L.S.E.* The regulation and development of stock and produce exchanges. 1930. *L.S.E.*
- W. P. HARPER. King's College, London. Public borrowing, the rise of banking etc., 1640-1680. 1927. *L.S.E.*
- L. C. JAIN. Allahabad. Indigenous banking in India. 1928. *L.S.E.*
- J. KAHANE. *L.S.E.* English currency ideas, 1816-1844. 1928. *L.S.E.*
- J. KOSTANECKI. Cracow. The influence of inflation and deflation on banking. 1927. *L.S.E.*
- H. LALL. Panjab; California. Federal reserve system and India, being a study of the American banking system and its applicability to Indian conditions. 1928. *L.S.E.*
- S. Y. LIU. Pennsylvania; Northwestern. A comparative study of the English and American money markets. Completed. *L.S.E.*
- A. K. C. MORLEY. Oxford. The application of the gold standard to eastern countries. 1928. *L.S.E.*
- T. S. OPIE. Adelaide. The evolution of Australian banking and currency. 1928. *L.S.E.*
- BARNETT SAMUEL. International Banking and Financial Policy. *Cardiff.*
- E. SHENKMAN. Moscow. Theory and practice of international loans and foreign investments. 1928. *L.S.E.*
- P. SINGER. Vienna; *L.S.E.* The functions and structure of banking. 1927. *L.S.E.*
- C. SMIT. Amsterdam; *L.S.E.* Currency and banking reform in Czechoslovakia. 1928. *L.S.E.*
- D. H. TRAVERS. Dublin. History of exchange theories. 1927. *L.S.E.*
- EVELYN G. WILSON. Oxford. The resumption of cash payments: the problems, as illustrated by the experience of various countries in the nineteenth century. 1927. *L.S.E.*

Commerce.

- V. R. ADIGE. Madras ; Oxford. The commercial aspect of Indian handicraft industry. 1927. *L.S.E.*
- T. H. BURNHAM. Reading ; Sheffield. Economics of the British steel industry. 1930. *L.S.E.*
- *BURROWS and HAMILTON WHYTE. Local survey of Bristol industries. 19-. *Bristol.*
- E. F. CALVERT. Manchester. A comparative study of the development of trade combinations in the cotton and woollen industries of Great Britain, the United States, France and Germany. 1930. *L.S.E.*
- S. H. FRANKEL. Johannesburg. The development of the Witwatersrand gold-mining industry : a study in industrial organisation and finance. 1928. *L.S.E.*
- A. R. BURNETT-HURST. *L.S.E.* Organization of the Indian cotton trade. 1928. *L.S.E.*
- R. H. KASTELL. *L.S.E.* Imperial trade policy since the great war. 1930. *L.S.E.*
- W. H. LYON. Liverpool. The economics of road transport of goods by motor vehicle. 1927. *Liverpool.*
- D. MATEESCU. Bucharest. The economic organisation of the Roumanian oilfields, with special reference to the problems of international competition. 1928. *Birmingham.*
- A. S. MINDEL. Manchester. Trade fluctuations. 1929. *L.S.E.*
- I. D. PARSHAD. Panjab. Indian foreign trade, 1600-1925. 1928. *L.S.E.*
- A. PUSCARIU. Bucharest. The Danube as an international waterway : an historical and economic enquiry. 1928. *Birmingham.*
- D. N. SANDILANDS. Birmingham. The history of the Midland glass industry. 1927. *Birmingham.*
- N. SKENE SMITH. *L.S.E.* Economic control in the Dominions. 1928. *L.S.E.*
- H. R. SONI. Edinburgh ; *L.S.E.* Indian industries and industrial problems. 1927. *L.S.E.*
- F. J. DU TOIT. Stellenbosch. Principles of marketing as applied to South African export trade of primary products. 1930. *L.S.E.*
- *W. HAMILTON WHYTE. Leeds. Amalgamations of joint stock companies. 19-. *Bristol.*

Sociology.

- J. E. BULSARA. Bombay. A comparative study of some aspects of ritual in the simpler and more developed religions. 1927. *L.S.E.*
- W. G. K. DUNCAN. Sydney. Immigration policies : Australian and American. 1928. *L.S.E.*
- J. T. EDWARDS. Wales. A study of recent legislation in its bearing upon parental responsibility and the relation between children and parents. 1927. *Liverpool.*
- E. E. EVANS-PRITCHARD. Oxford. The ethnology of Africa, with special reference to the peoples of the Anglo-Egyptian Sudan. 1927. *L.S.E.*
- R. W. FIRTH. Auckland. Economic organisation in Polynesian societies. 1927. *L.S.E.*

- D. S. L. FU. Shanghai. The Chinese family. 1927. *L.S.E.*
- I. IESERSKY. Leningrad ; L.S.E. Town and village in modern Russia. 1929. *L.S.E.*
- GWYNETH JEREMY. The development of multiple shops and its social consequences. *Cardiff.*
- H. JONES. Wales. Vital statistics of certain Welsh parishes in the 17th and 18th centuries. 1927. *Liverpool.*
- TERESA JOSEPH. Madras ; L.S.E. The economic aspects of the caste system as it exists at Malabar. 192-. *L.S.E.*
- W. P. LARKIN. Cork. The theory of property in the eighteenth century ; its historical antecedents, with special reference to England and Locke. 1928. *L.S.E.*
- EVELYN M. LAWRENCE. L.S.E. The relation between intelligence and environment. 1927. *L.S.E.*
- PHYLLIS A. MANNING. Manchester. The relations between skilled and unskilled labour with special reference to the lessening margin of pay between the two. 1927. *L.S.E.*
- D. T. MORGAN. Wales. Social and industrial conditions in the Wrexham coalfield, 1800-1860. 1927. *Liverpool.*
- HORTENSE POWDERMAKER. Goucher. A sociological study of leadership in primitive society. 1927. *L.S.E.*
- I. SCHAPERA. Cape Town. The concept of social personality in primitive society : a study of the relations between the individual and the society in primitive communities as expressed in ritual, law, rights of property, *mana*, etc. 1928. *L.S.E.*
- W. J. WARNER. George Washington ; Yale. The humanitarian movement in England in the eighteenth century, with special reference to the relation between the revival in religious life and the beginning of industrial change. 1927. *L.S.E.*
- N. A. J. ZAINABI. Allahabad. The social and legal position of the tenantry in the United Provinces. 1928. *L.S.E.*

Political Science.

- DOROTHY ADAMS. Goucher. The League of Nations Council's decision on Upper Silesia and the working of the settlement since 1921. 1928. *L.S.E.*
- W. MILNE-BAILEY. Cambridge. Trade unionism and the state. 1930. *L.S.E.*
- P. S. BELASCO. L.S.E. The political theory of the Quakers. 1928. *L.S.E.*
- AGNES A. BROWN. Wisconsin. Church and state in the education struggle of the nineteenth century. 1928. *L.S.E.*
- S. M. CHENG. Peking ; Wisconsin. The history of the idea of dictatorship. 1928. *L.S.E.*
- HILDA CLARK. Birmingham. Problems of minorities in Europe. 1928. *L.S.E.*
- A. K. DAS. Calcutta ; Northwestern. The development of responsible government in the Philippines and India. 1927. *L.S.E.*
- MARIAN DONAHUE. Smith. Recent changes in international systems of transport and communication and their effect on international relationship. 1927. *L.S.E.*

- PHYLLIS DOYLE. Bedford College, London. The relations of church and state in England with special reference to the growth of the idea of toleration from 1603-1616. 1928. *L.S.E.*
- R. EMERSON. Harvard. The theory of sovereignty in Germany, 1871-1921. Completed. *L.S.E.*
- P. K. FU. Peking. The economic background of European diplomacy, 1870-1914. 1928. *L.S.E.*
- LUCY M. HAWKINS. Bedford College, London; Aberystwyth. The political faith of the English Non-jurors. 1927. *L.S.E.*
- ELIZABETH HELMER. Smith. The mandates system in relation to Africa. 1927. *L.S.E.*
- W. M. HILL. Oxford. The relations between central and local government. 1930. *L.S.E.*
- B. C. L. JAMES. Oxford. Political theory and education. 1929. *L.S.E.*
- B. JOSEPH. McGill. Nationality, its meaning, origins and growth. 1927. *L.S.E.*
- P. JOSEPH. McGill. China's political fin-de-siècle, 1894-1900. Completed. *L.S.E.*
- W. L. KENDALL. *L.S.E.* The political ideas of John Stuart Mill. Completed. *L.S.E.*
- T. J. KIERNAN. Dublin. The financial government of Ireland from the Union to partition. 1929. *L.S.E.*
- M. B. G. LAL. Benares. The problem of Indian administration. 1928. *L.S.E.*
- B. E. LIPPINCOTT. Yale. Critics of democracy from 1840 to 1880 (approximately): Carlyle, Arnold, Stephen, Maine, Lecky. 1928. *L.S.E.*
- N. C. LIU. Nanking. Reform of Chinese city government based on European experience. 1928. *L.S.E.*
- T. T. G. MAR. Meiji, Tokio; Oberlin. Anglo-Chinese diplomacy, 1895-1911. 1927. *L.S.E.*
- M. S. MEHTA. Allahabad. The Indian States and their position in the constitution of India. 1927. *L.S.E.*
- R. G. SHIMAN. Columbia. The United States and Old World diplomacy, 1898-1914. 1927. *L.S.E.*
- J. E. SMART. Manchester; Oxford. Educational administration with special reference to boroughs and county boroughs. 1930. *L.S.E.*
- D. O. SOPER. Cambridge. The revival of Gallicanism, 1600-1630. 1929. *L.S.E.*
- L. L. T'ANG. *L.S.E.*; Vienna. Some aspects of colonial government with special reference to the Dutch East Indies. 1928. *L.S.E.*
- F. W. TOMLINSON. *L.S.E.* Burke and the French Revolution: French criticism, 1790-1800. 1927. *L.S.E.*
- MAY G. WALLAS. Newnham; Paris. Luc de Clapiers, Marquis de Vauvenargues. Completed. *L.S.E.*
- E. A. WHITFIELD. *L.S.E.* Gabriel Bonnot de Mably. 1927. *L.S.E.*
- H. T. YANG. Miami; Princeton; Columbia. Canadian federalism: a study of the constitution at work. 1928. *L.S.E.*

Economic Geography

- E. R. DUDLYKE. Aberystwyth. Economic geography of the milk supply of London. 1928. *L.S.E.*

- M. S. HASSAN. Liverpool. The development of the new kingdom of Irak. 1927. *L.S.E.*
 WINIFRIDE HUNT. L.S.E. Irrigation. 1927. *L.S.E.*
 G. B. MACKIE. St. Andrews. The geographical factors that have determined the site and conditioned the growth of Kirkcaldy. 1930. *St. Andrews.*
 HILDA R. ORMSBY. L.S.E. European waterways. 192-. *L.S.E.*
 L. G. ROBINSON. Oxford. The human and historical geography of the middle Thames basin. 192-. *L.S.E.*
 J. T. E. WATKINS. Aberystwyth. Sources, routes, markets and uses of fishery products up to the age of steam. 1927. *L.S.E.*

Law

- F. E. J. ALLEMES. Lille. The position of inland seas and lakes and of straits in public international law. 192-. *L.S.E.*
 H. P. ASTHANA. Allahabad. The law of carriers in India. 1928. *L.S.E.*
 S. W. BUXTON. L.S.E. Freedom of transit under the Treaty of Versailles. Completed. *L.S.E.*
 C. J. COLOMBOS. Paris. Prize law in the great war. Completed. *L.S.E.*
 A. GAMAL EL DIN. Sheffield ; Cairo (School of Law). Extension of international law to European States. 1928. *L.S.E.*
 F. A. ENEVER. Cambridge. History of the law of distress. 1928. *L.S.E.*
 M. H. FAHMY. Cairo School of Law. The legal principles governing the international status of Egypt. 1927. *L.S.E.*
 H. C. GUTTERIDGE. Cambridge. The law of bankers' commercial credits. 192-. *L.S.E.*
 J. R. KEELEY. Dublin. The effect of war upon private enemy property. 1927. *L.S.E.*
 W. E. MASTERSON. Texas ; Harvard. Jurisdiction over foreign merchant vessels and subjects to prevent smuggling and enforce quarantine in United States and British law, with an introductory chapter on other functions. 1928. *L.S.E.*
 E. F. W. GEY VAN PITTIUS. Transvaal. Nationality and domicile in the British Empire. 1928. *L.S.E.*
 P. E. RENAND. McGill ; Montreal ; Paris. Le pouvoir constituant au Canada. 1927. *L.S.E.*
 A. M. M. A. A. SIDDIGI. Allahabad. History of the development of mercantile law in India. 1928. *L.S.E.*
 J. STOYANOVSKY. Paris. The Palestinian Mandate. 1927. *L.S.E.*

Miscellaneous

- ELIZA R. COLLIE (and others). Edinburgh. The effect of practice upon certain tests of muscular skill, in relation to industry. 1927. *Manchester.*
 J. N. LANGDON. London. *See ELIZA R. COLLIE.*
 ETHEL M. MCWILLIAM. L.S.E. The training of girls for clerical work. 1927. *L.S.E.*
 M. S. MODAK. Bombay. The Vedanta and Spinoza : a comparative study. 1927. *L.S.E.*
 W. G. PENDRILL. Meiji, Tokio. The operation of public utility services. 1930. *L.S.E.*
 EDNA M. YATES. Manchester. *See ELIZA R. COLLIE.*

THESES ABANDONED

A number of research students have withdrawn their candidature for higher degrees during the past twelve months, and so far as is known the subjects of their researches are now unappropriated. A list of these subjects is appended, and students who may think of taking them up, and who wish to be put in touch with those who have abandoned them, may transmit their inquiries through the assistant editor of *ECONOMICA*, who will forward letters when the address of the retiring student is known to him.

The economics of retail distribution in a large city.

Unemployment as affected by industrial organisation.

The problem of the cotton industry with special reference to the British Empire.

The iron and steel industries of the South Wales coalfield.

Modern immigration into England.

The rural Punjab : a study of agriculture as an industry under the British rule of that province.

Back Numbers Wanted

The editors would be glad to obtain a number of copies, in good condition, of *ECONOMICA* No. 1 (the issue of January, 1921), and are prepared to pay seven shillings and sixpence per copy.

Those willing to sell copies should in the first place notify the Assistant Editor by post card, and should not send the journal until requested to do so.

School Notes

The total number of regular students enrolled for the present Session up to May, 1927, is 1,066, and the number of occasional students is 1,753, making a grand total of 2,819.

RECENT ACADEMIC SUCCESSES

The degree of D.Sc. (Economics) has been conferred upon S. G. Panandikar.

The degree of Ph.D. has been conferred upon A. R. Burns, Frances I. Gaw, and P. Joseph; and the M.Sc. (Economics) upon M. Postan.

STUDENTSHIPS

L.S.E. Research Studentships.—(1) A Research Studentship, known as the Ratan Tata Studentship, of the value of £200, with remission of fees, tenable for one year with a possible extension to two years, will be awarded in October, 1927.

The successful candidate will be required to investigate and to write a report on some contemporary social or industrial problem.

(2) A Research Studentship, of the value of £200, with remission of fees, tenable for one year, with a possible extension to two years, will be awarded in November, 1927.

The Studentship is intended to promote the execution by graduate students of definite pieces of original work in Economics or Political Science.

Both Studentships are open to men and to women. In both cases the successful students will be expected to devote their whole time to the work, attending for this purpose at the School and/or carrying on researches in such fields of investigation as may be required.

Candidates should write to the Secretary of the School for a form of application which should be completed and returned with a statement of academic qualifications and the necessary testimonials not later than September 19th, 1927, in the case of (1); and not later than October 15th, 1927, in the case of (2).

Candidates for (2) are asked to submit with their testimonials and the names of their referees, either published work, prize essays, or written work bearing their names, or a detailed scheme of research on the subject proposed for investigation.

A *Metcalf Studentship* of £60 for one year, tenable at the School, is awarded annually by the University. It is open to any woman student who has graduated in any University of the United Kingdom. The successful student will be required to undertake research into some social, economic, or industrial problem to be approved by the University. Preference will be given to a student who proposes to study a problem

bearing on the welfare of women. Application forms may be obtained from the Academic Registrar, University of London. Closing date for entries, September 1st, 1927.

PRIZES

The Cecil Peace Prize.—The prize of £100 (known as the "Cecil Peace Prize") founded by Viscount Cecil of Chelwood and offered yearly for an essay on some subject connected with the maintenance of international peace, has been awarded for 1926 to Frederick Walter Strike. The Prize Essay was written on the subject "In what direction would you wish to see the League of Nations develop?"

The Hugh Lewis Essay Prize.—The Hugh Lewis Prize, of the value of 21 guineas, offered annually by a Governor of the School for the best essay on a selected subject by a student of the School, has been awarded for 1927 to Evelyn Thompson for an essay on "Some Psychological Aspects of Nationalism." The essay submitted by T. I. Cook on "The Rule of Law" was next in order of merit.

The Hutchinson Silver Medal, awarded annually for excellence of work done in research by a student of the School, has been awarded for 1926 to Mrs. E. M. Burns for her research into Problems of State Regulation of Wages.

GOVERNORS

The School regrets the loss by death of Dr. Walter Leaf, a representative of the Commerce Degrees Committee on its Court of Governors, and a friend who took a keen interest in its activities.

STAFF.

Professor Allyn Abbott Young has been appointed to the University Chair of Political Economy, tenable at the School.

Dr. C. Delisle Burns has resigned his Lectureship at the School on being appointed to the Sir Daniel Stevenson Lectureship in Citizenship at the University of Glasgow.

The degree of D.Sc. (Economics) (Statute 113B) has been conferred on Mr. H. B. Lees Smith, and the degree of D.Sc. in Statistics upon Mr. E. C. Rhodes.

The degree of LL.M. of the University of Cambridge has been conferred upon Mr. D. Hughes Parry.

ORATION DAY

Oration Day will be held on Friday, June 24th.

Tariffs and the Distribution of Foreign Trade¹

By R. A. LEHFELDT,

Professor of Economics in the University of the Witwatersrand.

THERE is a popular notion that the protective tariffs which are maintained by so many States are liable to destroy British export trade. The notion is incorrect, but it indicates the desirability of examining the situation more carefully, in the light of the theory of international trade. Most of the work on that subject has dealt with prices: deductions as to quantity are needed too.

The method followed here differs from Marshall's in two respects: I venture to think that the changes make it more convenient for dealing with certain problems. First, instead of the classical method of dealing directly with the fundamental fact of barter between nations, the conception of money and price is made the essence of the treatment, and accordingly, when geometrical assistance is sought, the diagrams used are not those of quantity against quantity, but the more familiar type of quantity against price. Second, instead of starting with the notion of trade between two countries, which leads to results very difficult to extend to the practical case of many countries, the method adopted here is that of considering the trade of a country with the rest of the world regarded as a unit, but a unit so much larger than the country that the country's imports and exports make very little difference to world prices: this leads directly to results near enough to actual affairs to be of practical use.

I.

Accordingly the principle of comparative cost is taken to mean that the costs of production of various commodities in the country do not stand in the same proportion as the costs of production of the same commodities in the world—i.e., the costs in those countries and centres which do in fact supply world trade. Let us suppose various articles A, B, . . . Y, Z, to be consumed in the country, all of them being articles that do enter into world trade:

¹ See note on p. 285

then the " world-price " of these articles is an intelligible concept. Take wheat, for instance : the price at Chicago, Buenos Ayres, or Melbourne will be nearly the same, and only a little lower than at Liverpool or Hamburg. The concept of the world price of wheat is therefore a reasonably simplified expression of the facts, although cost of transport is an appreciable fraction of value. In the case of manufactured goods—say locomotives—there are only a small number of possible suppliers, in some half dozen countries, who can effectively compete in the export market : their offers constitute a world price.

If, then, the cost of production in the country of so much of each of those articles as can be bought for £1,000 at world price, is given, and these costs are in the order of the letters, beginning with the lowest, the letters indicate the comparative cost in the country : A, B are the articles for which it has the greatest comparative advantage, and Y, Z, the greatest disadvantage.

Cost of production is, of course, dependent on scale of output. The scale required for the above definition is to be taken as that which would be created by demand in the country, if there were no foreign trade. Then A, B . . . will be exported, Y, Z imported, and in case of some articles near the middle of the list, where there is little advantage or disadvantage, and cost of transport appreciable, the country will just supply itself and no more.

In the case of an export commodity the relations of price and quantity are shown in Fig. 1. In the absence of foreign trade price is PM and output NP. When export takes place freely the price rises to the world price ; consumption in the country falls to VQ and exports amount to QW.

The gain by foreign trade can be estimated by the principle of producers' and consumers' surplus. When trade takes place value represented by the area VQPN is transferred from consumers to producers, and the new value QPW comes into existence : the latter therefore represents the gain.

The conditions relating to an import commodity are shown in Fig. 2, where the lettering is the same. Opening of trade results in transferring VQPN of value from producers to consumers and creating the new value QPW. The total gain by foreign trade is represented by the sum of the areas QPW (all positive) or similar areas for all the commodities.

■ In the case of import goods it is possible that any supply produced in the country is more costly than the world price.

Then, if trade is allowed freely, the whole consumption will be supplied by importation, and Fig. 3 applies. The gain is represented by the area $VQPS'$.

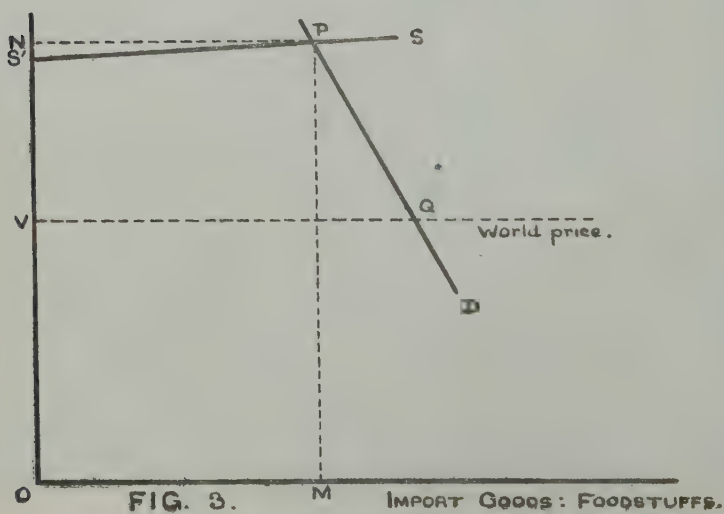
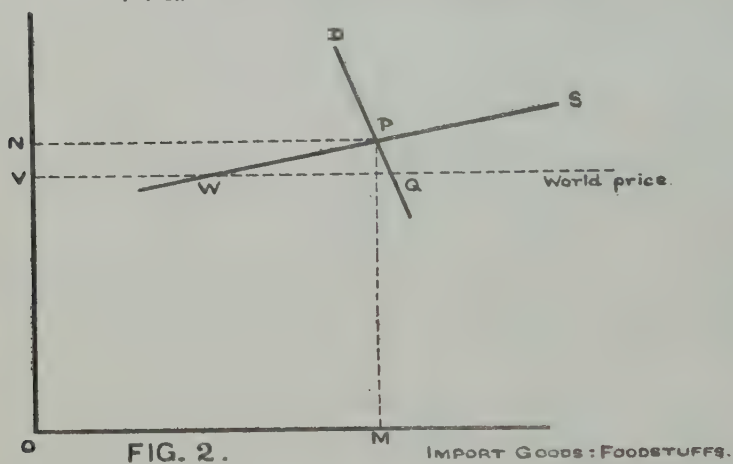
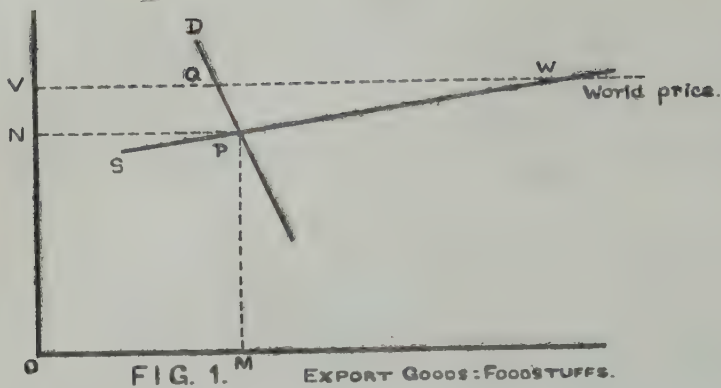
The diagrams, so far, have been drawn to represent conditions of diminishing returns.

II.

Increasing and diminishing returns, it is well known, are not the positive and negative of the same thing, but are due to two disparate causes which, in fact, always exist together. Returns diminish, when the scale of production is extended, because of the limitation of natural resources, and increase because of the opportunities for improved organisation offered by extended scale of working. In the case of those industries where the former influence, on the whole, prevails, the relations can be shown graphically by means of a supply curve sloping positively, and a series of particular expenses curves, whose slope is always slightly more positive than that of the supply curve where they intersect the latter; since, however, the difference in cost due to organisation is not great, it is often sufficient to ignore it, and identify the particular expenses curves with the supply curve, as has been done in Figs. 1 and 3. It should be remembered that rent is really measured by the area between the price line and the particular expenses curve, and not the supply curve.

When, on the whole, constant or increasing returns hold, the two sets of curves still stand in the same general relation, i.e., the particular expenses curve must slope positively, and therefore has a slope exceeding (algebraically) that of the supply curve which is zero or negative (Fig. 4). Some producers always have lower costs than others, from advantages either of permanent natural resources, or of efficiency which, though not permanent, is fairly durable. In some cases these differences may be small enough to justify drawing the particular expenses curves horizontal: they would be accurately so if the supply came from a monopolist.

It is true that the same kind of industry usually shows considerably increasing return within the individual business: but this does not mean, in practice, that a single business expands till it absorbs the whole industry. There is advantage in large scale organisation even in farming, and successful farmers sometimes take on more land; but there is a statistical equilibrium between large and small farmers when a whole country is considered. In the same way there is equilibrium in a manufacturing



industry, though covering the rise and fall of individual businesses: true the equilibrium is more liable, in this case, to change slowly with the development of new inventions, improvements in transport, and greater organising skill; but it is reasonably stable. When the industry as a whole expands the tendency is for all businesses within it to expand, though quite possibly the larger businesses may be more benefited than the smaller, and some of the latter may even be harmed.

It is therefore possible to deal with cases of increasing and diminishing returns by the same method, *provided it is the more complete method that utilises both supply and particular expenses curves*. Accordingly the export and import of manufactures is treated in Figs. 4 to 6 by the same method as before, except that the particular expenses curves are indicated separately from the supply curve.

In the case of import goods two cases arise. First, if the comparative disadvantage of the country is very great, so that the commodity cannot be produced at all without incurring costs greater than the world price (Fig. 5), then the opening of trade will destroy the local industry: transfer to consumers the small producers' surplus NPP' previously existing (PP' being a particular expenses curve), and give to consumers also the much larger value represented by $P'PQV$. [In an extreme the supply curve for the country may lie entirely above the demand curve, so that the commodity would be unobtainable in the country except by foreign trade.]

In the second case the comparative disadvantage is small and some producers in the country can supply at or below the world price, although others cannot. Then, (Fig. 6) opening of trade will transfer the point of equilibrium from P to Q somewhat to the left of P'' the intersection of PP' with VW , since the contraction in the local production will prejudice the organisation of the industry in the country somewhat. Producers' surplus to the extent $NPP''V$ will be transferred to consumers, $Q'QP''P'$ of producers' surplus will be destroyed, and $P''PW$ of consumers' surplus created. The gain to the country as a whole will be positive or negative according to the relative size of the last two areas.

The case of an export commodity is shown in Fig. 4. P represents the equilibrium which would exist in the country if there were no foreign trade. The world price may be supposed, to start with, to be higher than this, and so encourage export and increase in scale of the industry: it subsequently falls on account

of the increased scale of production. The equilibrium reached eventually is W, and then the consumers' surplus in this country has been increased by NPQV and the producers' surplus converted from NPP' to the much larger amount VWW'. This, however, is not all the gain, because the establishment of the full export trade is a slow process, and whilst the expansion is taking place the country's exporters will be able to secure a higher price. This is because the world-price is made by these exporters together with their rivals in a few other countries; until a large export trade is worked up the world-price will be high, and those first in the field (having low comparative costs), will obtain a great temporary profit: but as the circumstances do not constitute equilibrium, the usual diagrams do not show the amount of it. In the diagrams the vertical scale shows the price in money of the country: the world-price must, of course, be drawn on the same scale. Now the amounts imported and exported, as shown in the figures, based on local conditions of supply and demand, do not, in general, balance. Therefore there will be an alteration in the level of foreign exchange. If the country uses inconvertible paper money, this alteration will proceed until the effect produced is sufficiently great to make imports balance exports. The change can be shown graphically by raising the world-price line in case of an import surplus, or lowering it in case of an export surplus. True the change is really on the part of the country rather than of the world, and it could be represented if the diagram (all except the world-price line) is supposed drawn on a sheet of elastic, and this is stretched or squeezed in the vertical direction, causing the lines in it to slide across the world-price line: but the former representation is simpler. (If the gold standard is in use, the alteration in foreign exchange will be corrected by export of gold, and—as is well known—a change of price level in the country will replace the change in the value of the country's money. The diagrams are applicable whichever monetary system is in use.)

Let us suppose, for convenience, that unit length along the horizontal axis represents in all cases that quantity of goods which fetches a given amount of money, at world price: then the balance of imports and exports will be expressed by equality between the sum of all the lengths, QW representing the amount of exports and that of all the corresponding lengths representing imports. If for any reason an import or export surplus arises, the world-price line will shift until balance is restored.

III.

If, now, the country imposes a protective tariff, and restricts the amount of certain imports, we have to see whether balance of trade will be restored by contraction of exports or expansion of other imports. We will only deal with cases of practical importance: protection is applied, in practice, to further the interests of either manufacturing or of agriculture—usually the former.

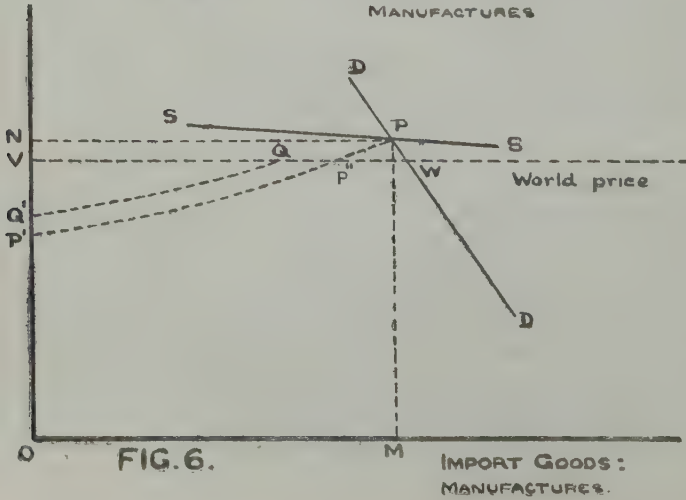
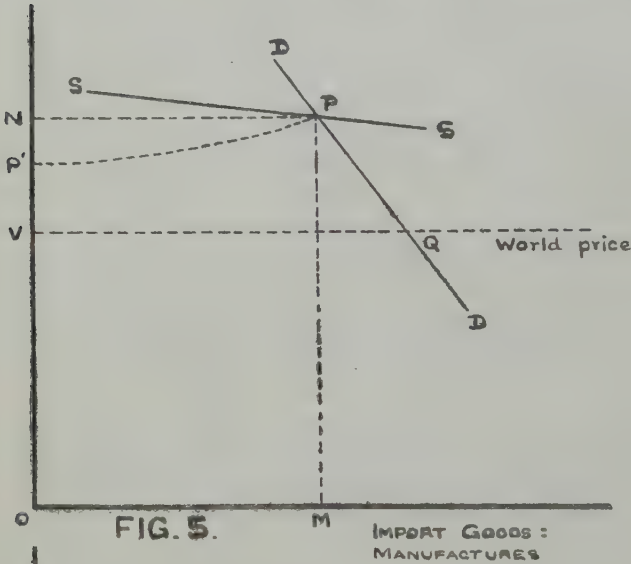
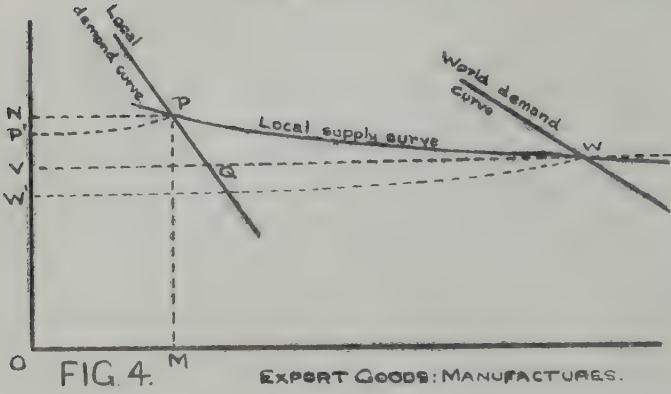
It is theoretically possible to construct a system of duties which would reduce the series A, B . . . Y, Z to precisely the same level of comparative cost, and so destroy the motive for trade. This is not, however, the aim of protectionists and is never done: the effect of the tariff is to raise the position of certain import goods to about the middle of the series. No attempt is made to reduce the advantage of the country in regard to export goods A, B, . . . and on the other hand there are always some import goods which the protectionist recognises as hopeless and leaves alone, or treats with a duty too low to be protective. The goods represented in Fig. 3, e.g., would need a duty of 100 per cent. or more to enable the country to compete with foreign production, and even the ardent protectionist does not venture on that. Consequently the comparative cost series remains, although some items may be transposed, and the average dispersion somewhat reduced.

If in such a case as Fig. 2 shows, a duty is imposed just equal to the difference between the marginal cost of production (at P) and the world price, i.e., a duty VN, importation will be prevented. The contraction of imports then amounts to WQ. This magnitude may conveniently be expressed in terms of the elasticity of demand in the country E and the elasticity of supply in the country F. If the supply and demand curves be taken as straight, it is easily seen that WQ is approximately equal to

$$\frac{\Delta p}{p} (qe + rf)$$

Where p is the original price, Δp the change in price caused by the duty, and q the consumption, and r the production in the country, f is often much larger than e .

In an agricultural country which imposes a protective duty on certain manufactured goods, the exports will be such as represented by Fig. 1, and the contraction will be equal to the per cent. rise in local price multiplied by $qe + rf$. As $r > q$ and probably $f > e$, it is the term rf to which most attention is to be paid.



[E.g., in Australia, for wool, r the production is ten times q the local consumption.] Imports other than the protected articles, being mostly manufactured goods, will follow Figs. 5 or 6. In the former case (which we may describe as "taxed goods," since there is no effective protection) the increase in importation depends on qe only : in the latter it depends on a quantity somewhat greater than $qe + r/f$, where f is the elasticity of supply reckoned along the particular expenses curve.

Usually f will be larger for these manufactured goods than for the raw materials exported, though it would be necessary to discuss each country separately to form a proper opinion as to the relative magnitude of the quantities involved. On the other hand for import goods $q > r$, it is safe to say that there would always be a considerable expansion in the imports of those goods which are not protected, and in many cases the expansion would be larger than the contraction of exports.

If the protective policy is pressed, with a view to covering all Fig. 6 goods, it will be necessary to adjust the amount of the duty very accurately to suit the conditions of production of every article and every quality of article (since different qualities are, for our purposes, different articles). This is almost beyond the capacity of a government department : if it were accomplished it would cause the change in price level to be much greater, and would make the readjustment consist mainly in a reduction of exports. This, of course, is not what protectionist policy aims at, and would be likely to lead to a reaction. Confining our attention to such cases as do occur in practice, we conclude that the effect of protective duties is chiefly to change the importation to other kinds of manufactures.

In the case of a great manufacturing country such as Germany or the United States, which adopts a protective tariff on manufactures, the most typical case of protection is Fig. 6. There is usually not much difference in cost between the country and the most efficient exporting countries, which constitute "the world" in respect of this commodity. Protection is therefore easily made effective, and the home market secured. The consequent rise in

FIG. 4.—The line marked "world-demand curve" really refers only to such part of demand as is satisfied from the country.

FIG. 6.—The condition represented here is not stable : either the selection of producers implied by $Q'Q$ being cut off at the latter point will make Q a point on the supply curve, which then becomes positively inclined, or Q will continue to rise towards the supply curve as drawn, and the condition will be gradually transformed into that of Fig. 5, and the home industry disappear. The former of these alternatives is connected with "hysteresis," i.e. the shape of the supply curve not the same for contracting as for expanding industry ; but this phenomenon is not readily represented by the graphs.

prices will not much affect imports of food and raw materials (Fig. 2), but export manufactures, being in the same sensitive condition as most import manufactures, will contract largely. This case is shown by Fig. 4; it cannot be very satisfactorily represented by a diagram because ex.hyp. the original world price is higher than the local equilibrium price P , but the extension of output causes price to fall, and as the production of the country is an important factor in forming the world price, the latter will fall to some level Q probably below the original local price. Now, if protection is introduced and the monetary reaction causes the world price level to rise, there will be a great contraction of the exports QW . In this case a protective policy acts chiefly by reducing exports.

Conversely, as the adoption of protection in agricultural countries does not greatly affect the total importation, it will not greatly reduce exports from the great manufacturing countries, taken as a unit. The distribution of trade amongst these countries will be readily modified by protective tariffs on imports by some of them, and similarly by preferential tariffs on the part of the agricultural countries.

Protection to agriculture in a manufacturing country (Fig. 2) will be met partly—perhaps in about equal parts—by increased imports of some manufactured goods, and reduced exports of others (Figs. 6 and 4).

IV.

When an export or import surplus arises, from any cause, it may be met by foreign investment or foreign borrowing, so that no strain on the exchanges occurs. Such “invisible” exports and imports as shipping, and banking services, foreign travel, etc. are best regarded in the same light as ordinary commodities: but interest payments, being fixed charges independent of any scale of prices, may more conveniently be dealt with as constituting a term in the equation between imports and exports. Agreed loans have the same character, except that the amount may vary indefinitely from year to year. Thus, in general, instead of the equation

$$\text{imports} = \text{exports},$$

we have

$$\text{imports} = \text{exports} \pm \text{fixed payment}.$$

The price level will then have to be adjusted so as to satisfy this equation.

If, for instance, the imposition of a tariff stops the importation of certain goods, it is possible that the funds made available to the country should be invested abroad: the monetary reaction is thus prevented and there is no rise in the world-price line, at first. It is, however, unlikely that this state of things should last, because that would imply a permanent fall in consumption in the country: there is nothing in the motive or effect of a protectionist policy to cause a permanent increase of thrift. A redistribution of industry will therefore soon take place, and as the same resources will now be devoted to production for which there is less comparative advantage, the total product will be less, and the stock of money being the same, prices will rise.

The arguments have been set out on the assumption "*ceteris paribus*." They remain essentially true if other changes are happening at the same time, but the consequences are less obvious. The countries which have adopted a protectionist policy are not in a stationary state; this obscures the reaction on other industries—e.g., protection of certain manufactured goods instead of actually reducing the output of certain others may merely have the effect of preventing the natural increase of the latter: the protected industry absorbs all the growth of the country, leaving other industries approximately unchanged.

Johannesburg,
December, 1926.

NOTE: The MS. of this article was despatched to the Editors by Professor Lehfeldt some months before his death; he did not live to see proofs, but it is hoped that no error has crept in.—ASSISTANT EDITOR.

The Explanation of the Business Cycle

By JOSEPH SCHUMPETER

I

§ I. The childhood of every science is characterised by the prevalence of "schools," of bodies of men, that is, who swear by bodies of doctrine, which differ *toto cælo* from each other as to philosophic background and fundamentals of methods, and aim at preaching different "systems" and, if possible, different results in every particular—each claiming to be in exclusive possession of Truth and to fight for absolute light against absolute darkness. But when a science has "gained man's estate," these things, whilst never ceasing to exist, tend to lose importance: the common ground expands, merits and ranges of "standpoints" and "methods" become matter of *communis opinio doctorum*, fundamental differences shade off into each other; and what differences remain are confined within clear-cut questions of fact and of analytic machinery, and capable of being settled by exact proof.

Our science is past its childhood, but has not reached its manhood yet. On the one hand, our patience is still being tried by the phraseology of "schools" and "-isms," and there is still plenty of scope and shelter for the products of bad workmanship passing themselves off as new departures; but, on the other hand, the really living part of our science shows hopeful signs of, if I may say so, that *convergence of effort*, which is the necessary and sufficient condition of serious achievement. Those economists who really count do not differ so much as most people believe; they start from much the same premises; problems present themselves to them in much the same light; they attack them with much the same tools; and, although some of them have a way of laying more stress on points of difference than of points of agreement, their results mostly point towards common goals. This is not only true of fundamentals of fact and machinery, but also of what is going on within the precincts of every one of our time-honoured problems.

The problem of the business cycle is a case in point. It pre-

sented itself to the economists of the classic period and their immediate successors in the aspect of the striking fact of recurring "crises." Two first results were speedily established. The one, negative only but of the greatest "diagnostic" importance, was that there can be no such thing as a general glut. The other, that crises are—I really ought to say that it is *extremely probable* that crises are—an essential element of the capitalistic process and not merely occasional breakdowns to be individually explained by accidents different in each case—just breakdowns which happen if anything of sufficient importance goes wrong.¹ But barring these two points, discussion went to pieces on fundamental differences in the views about the capitalistic process, each author drawing different conclusions from different fundamentals; and finally languished in an atmosphere of theoretic hopelessness. Then came the great impulse due to the genius of Clément Juglar. He, first, by showing that crises are only elements of a much wider and deeper cyclical movement, unearthed the real problem; he, second, succeeded in *describing* empirically this cyclical movement; and, third, he contributed substantially towards its *explanation*. Few only were his immediate successors, such as Des Essars. But later on set in the great torrent of descriptive studies of the cycle which is one of the characteristic features of modern economics and which—not perhaps consciously inspired by Juglar, but still flowing from his source, by virtue of the logic of the scientific situation—permits us to *see*, where our predecessors had to *guess*. This torrent does not, by itself, supply us with a solution of the problem. Part of its waters are, besides, more useful in helping us to understand the peculiar features of individual cycles than in answering the great question: *Why there are such things as cycles at all*. But it gives endless opportunities to the analyst—whose own tools have been much improved meantime—for finding explanations and verifying them. And so we have reached a stage, perhaps for the first time, where facts and problems are before all of us in a *clear* and in the *same* light, and where analysis and description can co-operate in something like the spirit of physical science.

¹ It is part of the nature of the problem, that it is not very easy to prove this in strict logic. For there are *always* things happening to which an individual crisis can be attributed without any glaring absurdity. All we can say is: (1) That from our knowledge of the phenomenon we gather a strong *impression* that its causes are more than casual and that they operate from within the system and not from without *on* the system. (2) That if we find, by analysis, a cause *adequate* to produce the phenomenon without extraneous influences—though such influences may be operating in each case—we are justified in accepting this cause as an explanation of what we may call the "essence" or "nature" of the phenomenon.

§ 2. As a matter of fact, this is the line along which we are now moving. It stands out clearly in all the best work done, for instance, in the important theory of Spiethoff. But, hopeful as the situation is, it calls for aptitudes not often found together. And as few men unite, as Professor Pigou does, consummate mastery of statistical facts and of the art of handling them to unrivalled command of the analytic engine, it is but natural for us to approach his recent work on the subject¹ with the very highest expectations. These expectations have been amply fulfilled. The book is an admirable achievement. It is impossible to give, within the limits of an article, an adequate impression of all its fruitful and original contributions. We shall, in the main, confine ourselves to Part I—"Causation"—and refrain from entering, except incidentally, upon a discussion of the vast and complex issues dealt with in Part II—"Remedies".

There are really—subject to a qualification to be introduced later—four groups of problems which come under the head of "Industrial Fluctuations": the seasonal fluctuations, the "cycle," the "long waves," and the secular trend. Professor Pigou's analysis is limited to the second, and we shall follow his example, although we confess to a feeling that it is the two last-named which will before long absorb the attention of the workers in this field, and that the problems of the cycle cannot be dealt with quite satisfactorily without reference to them.

Now a distinction occurs at the outset, the triviality of which does not deduct anything from its importance. By "theory of the business cycle" we may mean, first, an analysis of any single one of the cycles which history records, or, arising out of such analysis of many or all recorded cycles, a reasoned history of the phenomenon. The most eminent instance of this type is Professor Mitchell's book. Second, we may mean by that expression a general theory, as exhaustive as may be, of all the elements contributing, or likely to contribute, to the phenomena we observe and of their interaction. Third, we may mean something different again, viz., a theory of what we conceive to be the fundamental cause. Neglect of this distinction has repeatedly led to misunderstanding. So, for instance, Pareto held that there is no sense in asking the question, what "*the*" cause of interest is—interest being evidently the result of *all* elements of the economic system. But although it is, of course, true that the rate of interest, at any given moment, is a function of all other economic quantities existing at that moment, it does not follow that that question is

¹ *Industrial Fluctuations*, London, 1927 (Macmillan), 25s.

futile, and saying so only serves to confuse issues. Nowhere is the fallacy alluded to more specious and dangerous than in the particular case of the theory of cycles. For nowhere is it more difficult to disentangle the fundamental from the accidental, or more easy to cover the shortcomings of an explanation by a wealth of secondary considerations, and insufficiency of analysis by an appeal either to the complex mass of detail, always so convincing to the "practical-minded," or to the great principle of economic interdependence, which occasionally covers a multitude of analytic sins.

Professor Pigou's theory is of the second type. I do not mean to imply that he fails to offer a "fundamental explanation" of the phenomenon. But he aims at more than that, and it is precisely this comprehensiveness of survey which makes the book so valuable—not only to the student but also to the business man, whose needs are but little served by a mere "pure" theory of the cause or causes of the cycle—and assures it of a high place in the first rank of the contributions to its subjects. To discuss only the fundamental explanation of the cycle which it offers, and to neglect that it clears up many problems of industrial movement in general as its argument unfolds itself, is to do much less than justice to it. This is, however, what limits of space in some measure compel us to do. We can only mention in passing that the author deals with important subjects, relevant to industrial movement of any sort besides the cyclical one, with a mastery all his own, for instance, with the "autonomous monetary causes of industrial fluctuations" (Ch. VIII)—which he quite rightly distinguishes from those monetary causes which belong in a special sense to the mechanism of the cycle and will come in for discussion in the second part of this paper—or with the part played by rigidity in wage-rates or by the imperfect mobility of labour (Chaps. XIX and XX), subjects, to be sure, without which there is no understanding of all that happens in the cycle and which, therefore, form part of its "causation" in Professor Pigou's sense, but subjects too, I submit, which do not form part of its "causation" in the sense which we mean here and which will be made clearer presently. The writer begs leave to avail himself of the Editor's invitation to start, in discussing Professor Pigou's theory, from his own views, arrived at in 1909, first published in 1912 and capable of being compressed into a very few propositions:

§ 3. (1) The first of these is that there would be no cycles under "static" conditions. This seems self-evident, because we are still in the habit of mixing up "static" and "stationary"

conditions, a habit, by the way, responsible for much that is unsatisfactory in our apparatus of analysis. What I want to say is : Those elements of the economic process, *the description of the interaction of which makes up the theory of economic equilibrium, do not contain anything out of which a tendency towards cyclical movement could automatically arise.* This is not self-evident, but still need not be proved to readers familiar with Marshallian analysis.

(2) "Static" conditions are compatible with continuous "growth" (or decline) such as would be the consequence of *the mere fact* of an increase (or decrease) of population and capital. For it is no part of the system of assumptions of "static" theory that there should be no shifting of the centre of gravitation of the economic cosmos. All that is required is that the economic process should adapt itself to such shifting simply by trying to find the new equilibrium by small alterations of quantities. We may, then, speak either of an equilibrium of growth or—as we prefer—of an equilibrium which, though continually disturbed by growth, continually tends to be re-established. There is nothing in this which, by itself, could produce the business cycle. Professor Pigou lends the weight of his authority to this proposition, by word as well as *tacendo*. And indeed theories looking for an explanation of the cycle in the increase either of population or of capital seem to me hardly worth discussing.

(3) I always thought, and still think, that in order to find out whether or not cycles are a phenomenon *sui generis*, clearly standing out as such from the rest of industrial fluctuations and arising from *within* the economic system, we ought, in the first instance, to assume the absence of outside disturbances—non-economic ones, or economic ones which cannot be produced or avoided by economic action, both of which we are going to call "casual"—acting on the system. We shall, then, see either that the economic system *never* (and not only not under "static" conditions) evolves that particular kind of fluctuations of itself, in which case outside disturbances *must* be looked upon as responsible for them; or else that the economic system would of itself display "cyclical" movement, in which case we should have to recognise the presence of a problem of a "normal cycle"; we should, moreover, have to conclude that the whole of purely economic phenomena cannot be exhausted by means of the "static" apparatus; and we should, finally, have to look upon the influence of outside disturbances as a fifth set of problems within the genus of industrial fluctuations, which would, indeed, also form part of any comprehensive survey

of all that happens *in* cycles (because outside disturbances of some kind never fail to arise and always must react upon the cyclical movement), but which would have to be kept aloof in a theory of causation, in a sense which I hope is now quite clear.

Professor Pigou, after having rather severely reproved those who uncritically look for "causes" of industrial fluctuations,¹ proceeds to draw a distinction similar to and still fundamentally different from ours. He distinguishes the problem of "initiating impulses" from what I may term the mechanism of the cycle. His "initiating impulses" being substantially what I mean by outside disturbances, such as exceptional harvests, wars, social unrest and so on, he merges what are our second and fifth sets of problems into one; and his views seem to us to come to holding that there are *no* causes within the system sufficient to produce the cycle and that its theory can only consist in describing the mechanism through which initiating impulses act² as they arise, some of them sporadically, others periodically. This does not, indeed, diminish the value of Professor Pigou's contributions to our knowledge of that mechanism—which proves to be applicable to even a much wider range of facts beyond the cycle—but it does interfere with his doing justice to the fundamental problem, and puts a gulf between him and what seems to us the line of advance chalked out by the best work done so far: and in fact, we grieve to say, he does not so much as mention Juglar, and even the name of Spiethoff is absent from his pages.

We only need, however, look at the way in which any disturbing element acts in order to be confronted with a distinction, both natural and important, which points in our direction. If, say, a war breaks out and upsets existing equilibrium, people can try to adapt themselves to altered conditions by infinitesimal steps, reducing, for instance, their consumption or, in their business, accepting the higher takings they get and paying their higher expenses, adjusting the quantity of their product accordingly. They may not be able to so adapt themselves and perish. They will, in so adapting themselves, be of course subject to all sorts of error. Still, we have here a well-defined type of behaviour admirably fitting in with "static" theory; and a type of behaviour, too,

¹ I do not know that anyone ever did look for *the* cause of industrial fluctuations *in general*. But I submit, that no looseness of thinking need be implied in looking for *the* cause of the cycle in the sense I have been at pains to define.

² He also includes invention, of which more presently. He is careful, moreover, not to rely merely on these disturbing elements themselves, but on the expectations they give rise to. But this makes no difference just here.

which we have before our eyes in real life, *for this is the only way in which the majority of people do act and are capable of acting*. But however high we may put the explanatory value of error and friction, this is emphatically *not* the way in which booms arise, and *not* the kind of events of which booms *fundamentally* consist, as will be seen as we go on.

There evidently is another way of reacting, clearly distinguishable from this, although shading off into this on the border. People can also drop their attitude of passive adaptation, they can react by doing new things or things in a new way, incompatible with the fundamental arrangements that exist. The clerk, instead of reducing consumption, can go into business for himself; the manufacturer can change his cotton-mill into an ammunition factory. Some people—never all nor ever more than a minority—do that. This is a different kind of behaviour and not within reach of marginal variations; and it is productive of different consequences.

Now, on the one hand, although, if distinguishable, these two kinds of reaction are both of them invariably set into motion by any "initiating impulse," it is only the first of them which can be said to follow automatically from the outside impulse by virtue of a causal connection exhaustively described—and determined—by theory. The second kind of reactions is not gripped by our analytic machine—although of course their consequences are—unless we "put a new arm" to it, which is precisely what I have been trying to do since 1912; and they cannot, with any certainty, be relied on to happen, or be predicted to happen, in any definite way in practice: they *could* fail to show up, in which case there would be no boom; whilst *if* they show up, it is never the *mere* occurrence of the disturbance which produces them, but *a certain attitude of certain people*.

Again this attitude, on the other hand, exists and shows itself quite independently of the presence of any disturbance. To avoid misunderstanding—of course, the type of behaviour we are glancing at now always has to do with a given environment, and environment always includes some sort of disturbance. But if there were not the one disturbance there would be another. And if there be none, the "impulse" would be *created* by our type. There is always scope for this. Industrial and commercial methods are never perfect in any sense except relatively to the average light and energy of the business community. Knowledge—scientific and other—is always far in advance of actual practice, not only in things which it could not, or not yet, pay to carry out, but also

in things which it would. Results of invention—not only, again, impracticable ones—are always offering themselves, but may lie unused indefinitely. Why? Because doing what has not yet stood the test of experience is no mere act of ordinary business practice, such as we primarily think of when applying our theoretic apparatus, and such as the average man of business can be relied on to do promptly, but something else which wants an *attitude* and an *aptitude*, different indeed from what is required for the act of invention, but equally rare—an attitude and aptitude more of character—"power," "leadership"—than of intellect. Hence there are always great prizes to be won by those who have them,¹ the business community does not, and cannot, proceed to new methods, as it were, *in line*: some rush ahead, others lag behind; and the latter are forced onwards or ruined by competition setting in from those who lead. Nor are these things mere frictions such as theory can afford to neglect; fundamental phenomena of modern industrial life depend on them for explanation—the business cycle among them, for the explanation of the nature of which this set of facts—which lies outside the domain of static theory but still within the economic system itself—is both necessary and sufficient, as I hope to show. Meanwhile, we only want to point out that willingness and capacity to do new things will always and necessarily find, or be able to create, the opportunity on which to act, being, in fact, itself the one fundamental "initial impulse" of industrial and commercial change.

In this sense, therefore, I claim "independence" of the cycle and of those booms and depressions *which form the normal cycle* of impulses from without: in the face of the facts, first, that such events do also lead to booms and depressions displaying a very similar mechanism and very similar features; second, that every one of the "normal cycles" is, as a matter of fact, powerfully influenced and coloured by some disturbances from without—*any* given situation being subject to such disturbances, which may help on, or rein in, any given upward or downward movement, and offer, as it were, part of the material of which the fabric of every boom consists, but which, if absent, would be supplemented by other material always at hand.

I also submit that this distinction of phenomena, which in

¹ The attitude and aptitude making up willingness and capacity of carrying out new things—which may be very trivial of course—is probably distributed among people according to the normal law of error. We must not be understood to hold that some people have it all in a high degree whilst the rest are entirely without it. But this does not affect the gist of our argument, and we cannot go into details.

reality always go on together and react upon one another, is no matter of theoretic nicety. For to the distinction in theory corresponds a distinction in reality. If we are furnished with sufficient details of a case, we are always able to tell whether it belongs to the static or non-static sphere—a movement of the rate of interest, for instance. Nor is this all. It is of very considerable practical importance to distinguish between booms of different nature, and it makes a great difference both to diagnosis and to remedial policy, whether we have to do, say, with a crisis of deflation or with the depression of a normal cycle. Neglect of this distinction vitiates, I think, part of what I otherwise consider most valuable results of recent research.

(4) Our fourth proposition is the one due to Juglar: "La cause unique de la dépression c'est la prospérité." That is to say, that the phenomena which we have got in the habit of calling "depression" are no irregular heap of disturbances, but can be understood as the reaction of business life to the situation created by the boom or, more precisely, as the movement of business life towards a new state of equilibrium conforming to the data created by the boom—such being what I may term "normal" depression as distinguished from "abnormal" havoc, incidentally wrought by panic, and productive of consequences of its own. It is important to note that by reaction I do not mean a psychological one, although this, too, must always play an important, though secondary, part, a part, that is, which is secondary not only in importance but also as to its position in the chain of causation. The new data, created by the boom and upsetting all the bases of industrial and commercial calculation, are an "objective" fact. As such they enforce "objective" adjustments. And these and the losses they entail would account for what happens in the period of depression, even if nobody lost his head or turned, by zoological miracle, into a "bear."

It may not be superfluous to ask the reader to bear in mind two more points: we should not, of course, be justified in applying the same sort of reasoning to the boom. There are authorities who barely escape this sort of *perpetuum mobile* reasoning, according to which there would be booms because there are depressions, and depressions because there are booms. This reasoning derives some support from the fact that depression, by lowering prices of materials, machines, labour and "going concerns," affords the opportunity of buying cheaply. I need not stay to show why this support is insufficient. But I want to emphasise that we are doing nothing of the sort.

As will be readily seen, moreover, *all* theories of the cycle—including those of, say, Marx, Hawtrey, Pigou—are at liberty to accept this proposition. Whatever their explanations may be, they all consider what happens in depression to be the consequence of something which happened in the boom, or, anyhow, before the crisis or depression itself.

(5) We shall, therefore, have explained the cycle when we have explained those booms which are so clearly before our eyes ever since (at least) the Napoleonic wars, which we can so well distinguish from other fluctuations, and in which we can, I think, equally well distinguish what they owe to their own and to extraneous impulses. Those booms consist in the carrying out of innovations in the industrial and commercial organism. By innovations I understand such changes of the combinations of the factors of production as cannot be effected by infinitesimal steps or variations on the margin. They consist primarily in changes in methods of production and transportation, or in changes in industrial organisation, or in the production of a new article, or in the opening up of new markets or of new sources of material. *The recurring periods of prosperity of the cyclical movement are the form progress takes in capitalistic society.*

By saying this we mean to state a fact requiring both proof and explanation. Whilst we hope to be able to contribute, by our two last propositions, something towards the latter, it is impossible here to satisfy the reader as to the former. But the fact is becoming recognised more and more, and it is, for instance, clearly hinted at by Mr. Robertson—with that amiable diffidence of his—on p. ii of his important little book, to which we shall return in the second part of this paper. The reader needs only to make the experiment. If he cares to survey industrial history from, say, 1760 onwards, he will discover two things; he will find, first, that very many booms are unmistakably characterised by revolutionary changes in some branch of industry which, in consequence, *leads* the boom—railways for instance in the 'forties, or steel in the 'eighties, or electricity in the 'nineties—and that, if he will take a bird's-eye view of our industrial organism, he will be able to follow up every one of its leading features to a source originating in a boom. And he will find, secondly, that *all* the booms which he may find himself unable so to characterise can be shown, by other and independent reasons, to be casual phenomena outside the cyclical movement and distinguishable from it, such as the booms ending in the collapses of 1793, 1799, 1810 and 1922, which, to my mind, lead to the most palpable mistakes both of analysis and policy if mixed up with the

cyclical ones. It is equally important—and possible—to distinguish cyclical depressions from mere “breaks” such as the crises of 1866 and 1901—even as a doctor must distinguish between the going down of the temperature of his patient owing to his progress towards health, and the breaks the curve of temperature may occasionally display for all sorts of reasons.

Further corroboration is afforded our proposition by the fact, brought out beyond doubt by statistical investigation and quite universally admitted, of the prominence of the constructional trades, both as to priority in time and as to amplitude of fluctuation, within the events of the cycle. I do not know one modern writer who would deny it. But if the fact be undeniable, it evidently fits in admirably with our thesis: it could not indeed prove it, for there is no such thing as statistical proof. But it is eminently apt to serve as verification; for it derives a very natural explanation by our thesis, which alone, in fact, gives it its proper significance and sheds on it its true light.

It is instructive to look at Professor Pigou's treatment of these points from this angle. He overlooks none of them. The question of instrumental industries he deals with in § 9 of his second, and again in his ninth chapter, and “inventions” come up for discussion in §§ 11-13 of Chapter IV. But he arrives at results substantially negative in much less space than he devotes to what seem to me secondary points. I submit, with due deference, that this would have been impossible, if he had:

First, used the Spiethoff index, which brings out the salient features much more clearly than Professor Pigou's figures do, or those of the authorities he quotes on page 20; then he would hardly have called the evidence “less clear” than that which establishes other characteristics of the cycle.

Secondly, taken hold of the link obviously existing between what he calls “invention” or, rather, the putting into practice of it and the constructional industries or, to use Spiethoff's¹ term, goods of reproductive consumption; for although it would still have been logically possible to dismiss, as he does in Chapter IX, the significance of the fluctuations of these industries on the ground that these fluctuations being larger does not prove that the cycle originates there, that significance, by being connected with new improvements, would have more strongly impressed itself. Whatever the nature of the innovation actually being carried out, there will

¹ In emphasising the importance of the work of my eminent friend and colleague, I must be careful not to attribute to him any views of mine. His theory is different from mine in several points, and what we both consider the fundamental “cause” is among them.

be always the necessity of providing new buildings, machines and so on, which means that innovation or reorganisation must always, in the first instance, show itself in an increase in the consumption of iron and steel.

Thirdly, not focussed his attention so strongly on the element of "invention," which it is, indeed, easy to dismiss by pointing out that it is not invention that matters, but its adoption and actual working (p. 44). This very fact points in *our* direction. And so does his saying that we are not justified in inferring from the fact that without Stephenson's invention there could have been no railway mania, that there would have been no boom in 1845-7; for railway development may have been merely a channel into which industrial activity, caused in some quite different way and due to come into play, found it convenient to flow. Quite so. But does not this apply to any initiating impulse? If no, why then to this one? If yes, is it not imperative to develop for the purposes of fundamental explanation an analysis independent of the occurrence of impulses from without—an analysis of the way in which new things come to be done in industrial life, and old methods come to be eliminated, together with those firms who cannot rise above them?

(6) But innovations would be powerless to produce booms, if they went on continuously in time. By this we mean, that if it were possible to choose units of time such that to each of them would correspond one new thing done—it need of course be no "invention" carried out—then the disturbances which would still be caused would be small as compared with the whole of the industrial life of a nation, so that they would be capable of being continuously absorbed—just as simple "growth" is—without producing consequences important enough to show. There would be no cycles, though still, of course, irregular disturbances owing to wars, earthquakes, and the like. |

Therefore, the problem of causation of the cycles reduces itself to the question (the answer to which contains what we shall call in a sense not now admitting any more of ambiguity, the only "cause" of cycles):

Why is it that industrial and commercial change is not continuously distributed in time, but proceeds by leaps which, it is easy to understand, must fundamentally alter the bases of calculation and upset the existing equilibrium beyond the possibility of all people adapting themselves successfully by marginal variations?

(7) It is simply because as soon as any step in a new direction has been successfully made, it at once and thereby becomes easy to follow. Business life, like any other, consists mainly of routine work based on well-tried experience, partly ancestral; only within the

boundaries of routine do people function both promptly and similarly; it is only to routine work that received theory applies; outside routine most people find it difficult—and are often unable to act; those who can are rare and therefore not subject to competitive conditions, whence the phenomenon of profit; but whenever in a given situation (which theory has the right and the duty to assume to be in the first instance “static”) new things have been successfully done by some, others can, on the one hand, copy their behaviour in the same line—whence prominence of one industry at the time—and on the other hand, get the courage to do similar things in other lines, the spell being broken and many details of the behaviour of the first leaders being applicable outside their own field of action. And therefore the first success draws other people in its wake and finally crowds of them,¹ which is what the boom consists in.

§ 4. I beg leave to ask the reader not to be deterred by what must necessarily look like a highly abstract if not one-sided view of the thing. Of course this is *no* theory of the cycle, if we understand by this a complete explanation of all that happens. This can only be found in a reasoned history of industrial life. It is only the backbone of it. But I submit that Professor Pigou's analysis of detail, or Professor Mitchell's, or, indeed, Professor Clapham's facts, do fit in exactly with the view explained—in some points much better than with the fundamental views of those eminent authors themselves. I also submit that our propositions, whilst strikingly verified by experience, are hardly open to objections on theoretical grounds. Propositions (1), (2), (4), (6) I do not even see a possibility of denying. Proposition (3) does no more than introduce a distinction, which might be useless, but could not possibly be false. For Proposition (5) I can point both to statistical evidence and to what we have before our eyes in real life. It is true, as has often been pointed out, and as Professor Pigou points out again, that there seems to be more “brain” in business during depression. But this does not prove anything against our theory, for it is but natural that competition setting in from the side of innovators should force the “crowd” to try their best to save themselves by improving their methods. Proposition (7) seems to me to be a very natural way of explaining what remains to be explained when once we accept the six others. I may also say that, as far as I can claim having had any practical insight at all, it seems to me but to formulate what I think I have

¹ Let me ask the reader to bear in mind that these “crowds” need not necessarily be making any mistakes in following a lead. They are, of course, very likely to. But depression, though milder, would still come about even without any errors.

seen. A sort of verification is finally afforded by two facts, which I am sorry not to be able to go into more thoroughly.

There is, first, the fact of booms as well as depressions becoming milder—the last real “crash” in Europe having taken place in 1873. Now there are many ways of accounting for this, all of them compatible with our theory. But there is one which we can, I think, directly derive from it, viz., the steadying influence of great units, especially of trusts. As the industrial units tend to grow, the management tends more and more to be divorced from ownership. Therefore, whereas the rising men had, in the times of our fathers, typically to found new businesses and to get their things done by under-selling the old ones, the rising men of a later period are not confined to this method, but can and do conquer leading positions in the new big units now existing, and impose on them their plans. It is evident that, as far as this is being done and as far as, consequently, the new things tend more and more to grow out of the units already existing, the simple change of the managers does what formerly had to be done by a struggle in the markets, conducive to bankruptcies and other well-known features of depressions; and this of course tends to mitigate them and to prevent many losses.

There is, second, the rhythm. Evidently if our explanation be true, we should be justified in seeing more in periodicity than Professor Pigou naturally sees in it in Chapter XXII. Similarly, the period of gestation of instruments, already adverted to by Marx and Mr. Robertson and discussed by Professor Pigou,¹ would then acquire an additional and deeper significance. And inasmuch as there are probably only few people to agree with Mr. Hull's saying, that there is literally nothing in periodicity, we may perhaps point to the fact that the phenomenon of periodicity would be without difficulty explained by our theory, as not irrelevant.

The features of depression explain themselves not wholly by equilibrium being upset by new enterprise pouring forth new products at prices with which all firms cannot complete, and driving up prices of means of production beyond what they can afford to pay, nor even by the secondary waves, which it would be easy to insert in our picture. We ought to take account of all

¹ I am afraid, however, I have not quite caught his meaning. For as far as I can make out, his argument (p. 207-8) would suppose one boom to have happened, after which secondary booms would have a tendency to recur periodically. But this cannot be his meaning, as the quotation from Fisher shows, which would amply refute it. I also have to confess that I cannot get over a similar difficulty in Mr. Robertson's argument.

sorts of frictional elements in order to put the necessary flesh on the bare bones of our argument—in fact, we ought to superimpose on it the whole of Professor Pigou's mighty structure. This we cannot do and, indeed, we need not, feeling that the best we can do for the reader is to ask him to follow into all the complications of the subject an analyst so much our superior. We want to draw his attention especially to Chapters VI and VII, where Professor Pigou deals with the element of error—which acquires from our standpoint added importance by the fact that action outside of routine, and action in a situation disturbed by action outside of routine, evidently is exposed to error in a way amounting, as compared to error within routine, to a difference in kind. This particular importance of error can hardly stand out as it ought to without account being taken of the facts covered by our argument; for without them the explanatory value of error is much reduced by observing that, what looks like error *after depression has set in*, need not have been error at all before—so that of all the errors we think we see, a large part does not range with causes but with consequences.

But although we must discard whatever we possibly can, we yet must enter into some discussion of the part played by the machinery of credit, for what we consider the fundamental cause acts through it, and is in acting so much bound up with it, that quite essential things would be either missing altogether or going on differently if that machinery did not function as it does; and that without going into it, we could not claim completeness for our argument even in the limited sense we wish to.

§ 5. If the members of a community which has so far known no methods of payments other than the physical handing over of gold coins suddenly elect to deposit their holdings in a "bank," and to effect henceforth payments to one another by means of cheques, the managers of the bank will find that a great part of the coins in the tills will show a habit of staying with them for good—all in fact, except what may be required for shipment to other communities and, perhaps, for small payments which may still be effected by the old method. If managers feel sure of the confidence of depositors they will, therefore, be able to lend out a considerable part of the deposits and if borrowers, again, leave the sums borrowed with them and behave, as they probably would under the circumstances, exactly like the other depositors, a similar proportion of the loans granted will again be available for further lending and so on, as S. Newcombe pointed out long ago. The same thing could be shown by means of any other form

of bank money, uncovered bank notes for instance, or bills accepted by banks and so on.

Now everyone knows that what I have said is but a way of describing what actually happens. The point to get hold of is not, of course, the mere fact of what has been called the "manufacture" by banks of means of payment, but the fact that they can and do, not by way of mistake or aberration from sound principles, but systematically and "significantly" create "credits" exceeding on the one hand the sum of savings existing and entrusted to them and, on the other, the value of commodities existing at the moment. A short footnote is all we can contribute here towards sheltering this statement from the misunderstandings to which it is exposed.¹ In fighting the fact and the important inferences flowing from it, economists seem to have felt themselves to be under a well-nigh moral obligation since the time of A. Smith. They were right in many respects. But they went much too far and now they block the very road they themselves have opened up.

There are, of course, limits to this creation of additional purchasing power: to this purchasing power, that is, which is additional to the sum of legal tender, to the sum of saving *and* to the sum of purchasing power represented by the value of existing commodities. They are obvious in our case of a perfect

¹ Even if banks, to begin with, only lent out what customers entrusted to them, there would be "manufacture of credit" as far as current accounts are concerned. For current accounts are as good as cash, they *are* cash, for the depositor. And if part of the sums paid in on current accounts be loaned to other customers, that part would be cash for these too. So there would be duplication of existing, or creation of new purchasing power, even if banks did only lend what they receive.

But this is not the case. No doubt, savings in the hand of savers or banks are, normally, the backbone of the supply of "money" in the sense of the money-market article: of mobile resources. But over and above this supply at their command, banks can and do extend their credits; and that part of the savings entrusted to them, which they can count upon for lending, is not so much the fund they have to lend, but the reserve against the sum they actually lend. I may also refer to the fact that "Bankakzepte" were in Germany, 1900-14, about five times the banknotes outstanding, or even to the methods of financing American crops before the War.

Since Fullarton's days, or longer, it is commonly held that creations of credit only correspond to the volume of commodity transactions, the classic instance being the three-months commercial paper, and that, therefore, the sphere of money and credit cannot harbour anything which could escape us, if we deal with the economic process in terms of goods only, except indeed, technical disturbances. There is truth in this, but not the whole truth. Even if strict parallelism of the volumes of "regular" banking credit and of the social product were assured—which it is not—there would still be a "non-regular" credit not displaying this parallelism, and covered neither by savings nor by goods; and without this credit, of which the old Scotch "cash-credit" is a well-known instance, business could not be carried on as it is. The question of collateral does not, of course, enter into this argument: if a loan be secured on something which is not normally meant to change hands, such as an industrial plant, the effect of the purchasing power created is the same as if there were no cover at all.

gold standard and equally present, if less obvious, in the case of any other standard. But within these limits, credit or money can be and is being "manufactured," to use Mr. Hartley Withers' or Sir J. Stamp's expression. The reason why this is possible in the sphere of money whilst it is impossible in the sphere of goods does not concern us here. I always explain it to my students by saying that whilst you cannot ride on the claim to a horse you can pay with a claim to money.¹ It is for this reason too that I do not think it advisable to speak of money as a commodity or to apply the ordinary apparatus of supply and demand to it.²

Now whenever purchasing power is created in such a way, there being no additional commodities and no reductions of money-expenditure by savers to correspond to it, prices must rise, first the prices of the commodities on which that new purchasing power is expended, later on all or nearly all of them. Parallelism between the flow of money and the flow of goods being destroyed, we have inflation, the features of which can be in the first instance best explained by the example of inflation by Government paper money. But it is a peculiar sort of inflation. Whilst Government paper inflation produces a state of things which lasts indefinitely unless remedied by a distinct and painful operation, inflation by banking credit normally rectifies itself automatically—ending normally in a process of "*self-deflation*." Business men apply for credit to banks, they spend it on the markets of the "factors of production"; as far as the sums so spent have been newly created *ad hoc*, the existing money demand increases, therefore the prices of labour and so on rise, and incomes of workmen, owners of natural agents or of "capital-goods" will increase in consequence;³ and prices on the markets of articles of consumption will rise too, the process going on *until enough means of production have been*, by the rise of prices, *wrung from those firms* which had

¹ It may be replied that you could occasionally discharge a debt with your claim to a horse. This is true but off the point. It is no part of the function of horses to serve as means of payment, but to do so is the only function of money.

² The question of limits of "created" purchasing power is of great interest. But here I can do no more than disclaim any sympathy with the exaggerated statements sometimes met with. Although not *quite* agreeing with everything in Mr. Crick's paper in the June number of this journal, I yet need not ask the reader to grant more than what he finds there.

³ There is, therefore, nothing in the general theory of this process which would warrant any general assumption of wages lagging behind if we mean by "wages" the sum total of real wages. Cases of such lags in wages must be dealt with as they arise on their individual merits.

This is, although in a lesser degree, true even in case of the quantity of money being increased by an increase in the production of gold as pointed out by Professor Pigou in his masterly paper on Prices and Wages from 1896 to 1914. It is still less true, and even not true at all, in the case of the issue of Government paper money.

been in the habit of buying them *to satisfy the additional demand of the newcomers at the new prices*. Now there would be no sense for newcomers (including people already in the market but desirous of extending their business) to borrow in order to buy means of production in markets rising against them, if they only intended to produce what is already being produced by the same methods. For if we start, as for clearness sake we must, from a state of perfect equilibrium, it will be readily seen that they could, by doing so, *never earn the interest they have to pay*: they could indeed earn the capital sums borrowed, if prices of products rose in proportion, but under competitive conditions, in the absence of friction, and production having already been everywhere carried up to the margin, never more than that. But if they happen to be those innovators we met with in the first part of this paper, then things are different. By means of "new combinations," the same flow of quantities of factors of production which had been regularly bought and used before by other people may now be used to greater advantage and may produce what will not only fetch a sum equal to capital and interest but normally also—as long as competition has not caught them up—profits. Sooner or later, therefore, if things go right, they will be able to pay back what they borrowed with interest, which is synonymous with saying that the "created" purchasing power will automatically eliminate itself.¹ This we mean by "self-deflation," which then comes about, first, by the new products appearing after a time on the markets of articles of consumption—the nature of the thing is best seen if we imagine the improvements to consist of new methods by which *more* of a product already produced before can be got out of the same quantity of labour and natural agents—and, secondly, by the repayment of loans, thereby re-establishing the parallelism previously destroyed by the "creation of credit." There will be, in fact, *more* than compensation of the previous inflation, as I perhaps need not stay to show. *And this is indeed the true explanation of the secular downward trend of prices during the period of Capitalism, only partially and occasionally offset by the vagaries of the production of gold.*

§ 6. I have now to submit two theorems which have been

¹ Perhaps I ought not, even when writing for English readers, to be so short as this. Of course cases must be very rare in which the whole *capital* could be repaid out of earnings within one boom; but the argument is not altered if we extend the period of amortisation, nor by the fact that repayment to the bankers or financiers takes the form in the first instance of *saved up* capital stepping in to relieve the banks in the form of the taking up of shares for instance, nor finally, by what I should have to say, if I had space, to fit the theory to some of the peculiarities of the English financial system.

since 1912 and are still the objects of many attacks in my country :

First, in a perfectly static state, there would not be this scope, barring Government inflation, for the creation by banks or other agencies of such purchasing power. There would not be even the possibility of it for, as shown above, there would be no demand.¹ The process of production could and would be financed by previous takings and only small and relatively unimportant discrepancies, properly included among "frictions," would occasionally have to be smoothed over by banks. It is only the fact that society is not "static," that the industrial and commercial process is always being reorganised and revolutionised, that accounts for the phenomenon of a sort of money which is indeed still a "ticket"—in J. Stuart Mill's sense—admitting holders to the "national heap" of goods, but not or not yet also a "certificate" representing productive service rendered. Although the device once evolved will then serve many purposes, it would never have been evolved without the innovators', the entrepreneurs' demand for mobile resources, which always remains its *raison d'être*.

Second, just as in strict theory there is no other demand for the creation *ad hoc* of purchasing power but that of the entrepreneur, there would in strict theory be no other sources from which to satisfy it but such creation. It is not so in practice because that constant revolution of industrial and commercial methods is constantly yielding profits, the first, most natural and most important source of "mobile resources" or of "savings," which however would not exist in a static state, from which we have to start in order to avoid explaining things by what are their consequences; nor would there be in a static state nearly as much motive to save out of other resources besides profits as there actually is. The analytic value of this proposition does not depend on what important or unimportant rôle "creation of credit" may play in a given country at a given time. Situations are possible of great wealth and little activity in which this rôle would be nil. To point to such, or nearly such, situations would be easy but irrelevant.

But as the innovators' or entrepreneurs' demand for credit could not, in the highly abstract case we are considering, be met by *other* resources, so it always *could* be met by this. That is to

¹ It might be objected that there would be always something to be gained by inflation. This is true of inflation of the Government paper pattern but not of banking credit under competitive conditions, under which no producer and no banker could, by his own single act, raise the level of prices, and if they cannot do it the producer would *ex hypothesi* be producing what he could only sell at a loss and the banker would risk insolvency.

say, saving, though still of primary importance, turns out to be a shade less important than one would think. "Mobile resources" are not necessarily the result of previous saving, just as economic progress is not *primarily* the result of an increase in factors of production, but the result of applying the quantities of them already existing to ever new ends and by ever changing methods. As we have seen, this is done by withdrawing them from the uses they are serving and the persons who manage them, in order to hand them over to those who will use them better, by means of purchasing power created in favour of the latter and of a consequent rise in prices which cuts down the demand of the former. It remains true, as Ricardo knew, and as we do not deny, that no wealth can be created by "banking operations." It even remains true, although in a sense not quite natural, that productive forces must be saved before there can be new production. But those "banking operations" are an important device for bringing about a better arrangement of productive forces; and if saving there be it is not the usual sort of saving, but what we may term "forced saving" (*erzwungenes Sparen*).

§ 7. It is not possible here to unfold all the applications by which this analysis lights up many points of the theory of money, credit, interest and other matters, which cannot, I submit, be dealt with satisfactorily without it. I only wish to show or rather hint at how it links up with the theory of the cycle.

The periods of prosperity or booms being the periods in which "innovations" in, or reorganisations of, the productive process are mainly taken in hand, they consequently are the periods of creation of new purchasing power as, in fact, is shown by statistics.¹ This, and not simply fluctuation of the "K" in the Marshall-Pigou-Keynes² formula, accounts for the rise of prices in every boom, which could hardly be explained otherwise. There may be a lag because of the presence of accumulated stock, and a rise in articles of consumption before a rise in the *rate* of wages, because of the presence, at the beginning, of unemployment. This is why

¹ It is true that statistics are more likely to show more secondary phenomena such as the issue of shares and so on; but as everyone knows who has seen these things being done, no big issue is ever made without the help of purchasing power created *ad hoc*.

² Mr. Keynes is, however, quite right in emphasising the importance of the movements of "K" in dealing with the post-War situation, with which we are not here concerned. Much must, moreover, remain unsaid in a sketch like this, but I want to mention (1) that movements of "K" can, and often do, accentuate or mitigate the effects of credit-creation; (2) that movements of "K" may, and often do, effect what otherwise would have to be effected by credit-creation; (3) that movements of "K" may sometimes technically enforce and so *cause* credit-creation, whence a very complex tissue of mutual interaction.

the Spiethoff index is so much better than some others, but this does not alter any fundamentals.

The periods of depression, being typically the periods in which the changes in the productive organism, especially those embodied in new industrial plants which now have got into working order—the theoretical turning-point—begin to make themselves felt and to exert their pressure on the rest of the community, are consequently periods of deflation. This explains the downward movement of prices we observe. It is, first, deflation of the sort we have been describing as self-deflation. But it is, naturally, aggravated by what I may term autonomous deflation by frightened banks, who not only see and expect difficulties arising with their debtors but also anticipate difficulties with depositors and sources of re-discount. Here, too, there may be lags through producers trying to keep prices up and through frozen credits defying the endeavours to contract them, but here, too, this does not affect the basic argument, although it very much does affect the situation.

No more need be said about the function which this movement of general prices—the upward one as well as the downward one—actually fulfils. It is clear enough. Nor need we stay to explain how far and why we are unable to accept Mr. Hawtrey's dictum by which he so gallantly exposed himself to attack, viz., that the cycle is a "purely monetary phenomenon," which most undoubtedly it is not. We rather think it our duty to explain how far we do agree with him.

We agree with him, first, in recognising that the fundamental cause, whilst in its nature independent of the machinery of money and credit, could not without it produce the particular kind of effects it does. Booms and consequently depressions are not the work of banks :¹ their "cause" is a non-monetary one and entrepreneurs' demand is the initiating cause even of so much of the cycle as can be said to be added by the act of banks. But booms

¹ Nor is it in their interest to favour them. There is much misunderstanding about this. Of course a boom affords the chance of unloading such investments as banks would rather be without or *any* investments at great profit ; there are many similar sources of gains, differing very much in importance in different countries. But the banking business itself would probably prosper more under stable conditions than it does in conditions in which the higher rate of interest and the lucrative deals of booms are constantly being offset by the slackness of business and by the losses in crises and depression. As a matter of fact I think I have observed that the banker of high standing does not relish booms particularly, and that he actually does something towards stopping them within his own sphere.

But whilst the banks, if acting in concert, *could* probably keep down any boom, they cannot be said to have the power of entirely preventing depression. The mere "injection" of credit is powerless to do so, even if it were possible ; but producers will simply refuse credits at ever so favourable conditions, in certain circumstances, as shown by post-War experience in many countries and as is rightly pointed out by Professor Gregory.

and depressions would not without banks be what they are, and it remains utterly misleading to say, as has been said ever since Fullarton, that banks are only following the lead of demand and unable "to force their money on people"; for it lies with them to satisfy *this* and to create *additional* demand in a sense quite different from the sense in which it would be true of sellers of a commodity: the latter acting under the pressure of cost which is absent, within limits, in the case of the former.¹ So there is for banks a range of freedom of action to which nothing corresponds in other branches of business: this range would exist even without national or international understandings which, however, powerfully extend it.

It follows—which is indeed a second point of agreement—that banks can and do, even without knowing it, exert influence on the pace of prosperity and depression, although, for the reason given in a footnote, more on the former than on the latter; and they do more than this. They not only finance innovators' or entrepreneurs' demand, but also the demand of other people, who simply want more credit because they see prices rise. They are even specially willing to give in to those people, for they are their old customers. Hence, they help the coming up of a secondary wave of the boom to which, although it also increases forced savings, it is impossible to attribute the function of the "primary wave." Other waves may and often do follow, and among them the great wave of mere speculative punting, all of which makes prices rise still more.² It is these things which make up the physiognomy of both boom and depression, and which we have looked to when warning the reader not to judge our theory merely from what we said in the first part of this paper. They are, in fact, the bridge which leads from what we consider the keystone to the complexities of the "real" phenomenon. Now I believe that it is these things, too, that Mr. Hawtrey—and Mr. Bellerby still more—has had primarily in mind. And as to them we, within wide limits, agree with him, just as we think that we could get him to agree in some measure with our view of the initiating impulse, if indeed he were so unfortunate as to fall into our hands.

Third, we also agree as to the practical possibility of stopping any normal boom by a proper management of credit. It may be

¹ There are, we repeat, limits other than cost, and there is also cost, but there are no additional prime costs incident to, say, the carrying out of a decision to be content with a smaller reserve-proportion and to extend loans and advances correspondingly.

² In this sense it is true that according to a saying of Marshall's, prices rise because they have risen and conversely in depression. It is also true that gains and losses consequent upon this have no, or nearly no function.

difficult, and discount policy may be insufficient to effect it¹ except in quiet times. Into this we cannot enter; but it is surely possible. This does not imply indeed that it is in any sense desirable. But inasmuch as I am strongly under the impression that these discussions and the theoretic views of the parties to them are influenced by views held as to policy, and that such views are suspected to be at the bottom of every theory propounded, I am most anxious to say that I do not wish to advocate or fight any policy whatever. And although I feel debarred from entering upon questions of desirability of measures by the purely scientific character of my argument—the mixing up of which with practical policy I should indeed look upon as a misdemeanour—I still wish, in order to appease suspicions, to say that if I think that the cycle cannot be successfully held to be merely an “evil,” serving no social interests whatever, I do not mean thereby to imply that it is to be complimented on the way it fulfils what we have seen to be its “function.” It may well be argued that it does its work at very great costs, that these costs might be saved or reduced by proper arrangements and that a policy of keeping the level of prices stable might do but little harm to improvement, while greatly reining-in secondary phenomena which are universally (or nearly so) felt to be evils and are the main source of error, losses, unemployment, and so on. Some slackening down of improvement might even be held to be no more than a reasonable price to pay for benefits such as these. Without receding from our protest against using post-war phenomena when discussing points of general theory, we may still point to the instance of recent American experience as a proof that booming *activity* is

¹ If the efficiency of discount policy has often been grossly exaggerated it has been also sometimes underrated. Thus by writers using the argument that so small an alteration of conditions of production as is implied in the rate going up by, say, 1 per cent., must be powerless to put an effective brake on activity in a boom. This is never quite true, not in quiet nor in disturbed times. In quiet times, when money markets function properly, there is a class of speculators who act on the basis of comparison between the *yield* of shares and the rate they have to pay for loans. This kind of operation is calculated to a nicety and a rise of even $\frac{1}{2}$ per cent. may turn it the other way; and from this point of attack, insignificant as it seems, effects of restrictive credit policy may expand to reach much farther than one would think. It is this point, too, which well-nigh immediately acts on the interest of Mr. Robertson's “long lacking,” for first, many long-time purposes are being directly financed by short-term money, and secondly, interest of long-term investment is being indirectly affected because long-term securities and shares usually financed in part by short credits will be offered and, therefore, the interest they bear raised, by the class of speculators mentioned. In disturbed times such as war booms small changes in the rate of interest do not act like this; discount policy is really an instrument only for fighting disturbances which are small and do not last too long. But still, the effect of raising the bank-rate is seldom quite lost, the business community knowing that if a small rise would prove ineffective, larger ones would follow, and, moreover, although no central bank could very well go up to, say, 50 per cent., other sources of credit can and do.

quite possible without booming *prices*. This is no problem for us, nor any *instantia contraria* against us. Having said this much, we can venture to say, without danger of being misunderstood, that Mr. Bellerby seems to us to have injured an admirable argument by over-statement and by failing to distinguish sufficiently "normal" and post-War phenomena. But in our argument there is nothing to get on the nerves of our money-reforming friends.

§ 8. Nor is there anything in it to get on other nerves, viz., on the sound-money nerves of those to whom the very word of "credit-creation" is abomination, savouring as it does to them of old popular fallacies on the one hand and of advocating inflation on the other. We respect all theoretical, political and moral views implied. We do not stand for John Law. We do not advocate anything, but least of all inflation, although we do draw a distinction between inflation which does, and inflation which does not, automatically "deflate" just as, without advocating the use of morphine, we draw a distinction between the use of morphine for mitigating pain and the use of morphine for the pleasure of it. We admit that the term "credit-creation" is open to objection.¹ Any term is. But we are doing nothing but analyse patent and undeniable facts. And as they seem to us important, we should now try to convince an authority so very highly respected by us as is Professor Cannan of the fact that what seems startling in an over-simplified and at the same time highly abstract argument like this may still be perfectly compatible with sound (theoretical) conservatism, which we value very much ourselves.

But we need not do it, for Professor Pigou has undertaken the task (Chaps XII, XIII, XIV). It is a very great pleasure to us to be able to state that we find ourselves in perfect accord with him on important points of this important subject. I have explained as best I could, and it was indeed but ill, part of what I wrote in 1912. But I should probably have served my purpose better if I had started from Professor Pigou's chapters or from Mr. Robertson's powerful argument in his book on *Banking Policy and the Price Level*.² And I think that by these chapters the new

¹ I usually say "creation of purchasing power" (Kaufkraftschaffung).

² Priority of publication of the essential points seems to be Mr. Robertson's, although there are hints at them in Professor Pigou's contribution to the volume, *Is Unemployment Inevitable?* which appeared in 1925. But in his article in the *Economic Journal* for June, 1926, Professor Pigou made himself the interpreter of Mr. Robertson's views in such a way as it is hardly given to Man receiving truth really new to him.

Now I think Mr. Robertson's book a most original, fruitful and suggestive performance, making a new departure which may lead very far. And it is a most amiable book, sincere to a degree, never slurring over perplexities, never trying

theory of credit has come to stay—not the *facts*, from which it starts, for they were always known and made use of in the limited sphere of money and banking, but the *theory* of them as a necessary part of the *general* theory of the economic process.

There is, first, the recognition of the importance of credit-creation and of the theoretic issues raised by it. It is seen to be a “levy” by Professor Pigou and as producing forced savings, or, as Mr. Robertson says, “imposed lacking.” Many consequences, explaining much of what has been hitherto looked at as inexplicable deviations of real life from theory, are immediately drawn.

Both authors, but Professor Pigou especially, go on, secondly, to explain points of detail not only of technique but also of theory, and, in so doing, already leave the present writer far behind, who never so much as attempted to touch some of them,¹ such as the question of how large a real levy banks will achieve—the first of the three problems distinguished by Professor Pigou in his paper quoted in our footnote.

But there is more than that. In propounding the thesis, in §§ 4-6 of Chapter XIII, that any year's addition to bank deposit, is, subject to qualifications, a rough index of the quantity of bank credit for “industrialists,” Professor Pigou comes near to one essential element of our argument. And Mr. Robertson in his book, and Professor Pigou in his article dealing with it (Sub-problem the third) hold that, “sudden additions to the supply of circulating capital can, in fact, only be obtained through the creation of new money by the banks.” This is, to be sure, only meant as a result of analysis interesting in itself and practically important as it stands, and must not, of course, impute to those

to be original—although being it—strictly fair to its problems and to co-workers. I, for one, find it easy reading, although I do not quite like its terminology in every particular, especially where it implies approval or disapproval of facts analysed. I may as well say at once, that I also admire his thought for depth more than his technique for elegance. I should not indeed quite feel at ease if I had to answer Mr. Harrod's attack on him in the last number of *ECONOMICA*.

Finally, I hope Mr. Robertson will not take it unkindly from a sincere admirer of his most valuable gifts to science, if this admirer ventures to say that Mr. Robertson, whilst negotiating his hurdles most neatly, has a way of stopping dead after the jump: He does not, I thereby mean, really take hold of the points he makes. This explains, I think, that, although we find all elements needful for a complete theory in the pages of this book and of other publications of his, the constructional trades and the period of gestation and so on, on the one hand, and “imposed lacking” and so on, on the other, they do not somehow work up into a whole. Even the “secondary cases” are there and still there is no getting hold of the cause of the primary ones. But the book is nevertheless full of new truth and its argument emerges, I think, entirely unscathed from Mr. Hawtrey's criticisms levelled at it in the *Economic Journal* for September, 1926.

¹ He begs leave, however, to refer to his papers: “The Control of Credit” (*Kreditkontrolle*, Archiv. f. Sozialw., 1925) and “The Golden Brake of the Machine of Credit” (*Die goldene Bremse an der Kreditmaschine*, Kölner Vorträge, 1926).

eminent authors any tenets of mine. But the connection between statements such as these and my theory of the cycle is obvious—it is even obvious that creation of new money must have *something* to do with *new* transactions, and these with “innovation.” And ἔσσεται ἡμᾶρ ὅταν, the positions so taken up will shade off into those I have been trying to sketch out.

If this should happen there will be, I think, reason to expect some repercussion on the theory of interest;¹ and other points may then be found to need readjustment, if we are to have, one day, a really satisfactory analysis of the capitalist process. But I do not now want to add to what, as it is, seems to me a stroke of temerity.

¹ I even think I see some signs already. Thus there is much more than occurs at first sight in Mr. Hawtrey's statements (*The Economic Problem*, p. 221), that “capital is accumulated mainly out of profits” and that “in so far as capital is used in business, the interest upon it is paid out of profits.” If we link this up to a theory of profits different from Mr. Hawtrey's, and take account of the element of credit creation, we might be able to advance considerably beyond the positions held at present.

The Study of Primitive Economics¹

By RAYMOND FIRTH.

IN spite of the fundamental position that economic organisation occupies in primitive culture, it can hardly be said that the subject has hitherto received the attention it deserves. Its lack of cultivation is probably due to the fact that it is a borderline study between economics and anthropology, a kind of sociological no-man's land, into which neither science has cared to enter. The comparatively recent development of anthropology as against economic theory has doubtless been largely responsible for this, there being for a long time no adequate body of data concerning primitive peoples which might be incorporated into the general economic doctrine. Again, it has been tacitly assumed that in any event anthropology has little to offer to economics save a few sidelights on embryonic forms of institutions. The anthropologist for his own part has been very much of the opinion that true economic principles are far too complex and abstract to be found in the social scheme of native peoples. From this lack of contact with economic theory anthropology has undoubtedly suffered, in that one great range of human phenomena has been almost wholly neglected by this science of man.

Economics, too, I venture to say, has lost somewhat by the absence of co-ordination. A close study of the data provided by accounts of the life of primitive peoples would lead to the incorporation of interesting comparative material, a correction of perspective, and, it may even be, some revision of the general fundamental premises of the older science.

Primitive man has but rarely crept into the writings of the economist, except as the subject of those avowedly fictitious examples wherewith the exponent of the classical doctrine was wont to illuminate his argument. The term "primitive" or "savage" naturally conveyed the idea of simplicity; hence the institutions of the native were assumed to be the prototypes of our own, less developed, less complicated, stripped of all trappings,

¹ This article is an abridgment of the introductory chapter of a book in preparation, *Wealth and Work of the Maori*, a study of the economic organisation of the natives of New Zealand. Fuller references than space here allows will be given in that work, and supplemented by a bibliography of the literature of primitive economics.

and presenting the motive or activity in clear, bare outline. Such a convenient conception was well adapted for illustrating any point at issue. For here was a being created to order, who would balance the relative utilities of arrows and spears—or wives and cattle if need be—reason out the comparative satisfaction of work and sleep, and exchange nuts, venison, or cowhides according to the strictest Ricardian principles.¹ Such simplifications of primitive man, even though he be a hypothetical one, are apt to give a false idea of the real savage and to lead astray the argument, because they neglect the full social context of economic life.

Of late the tendency of economists has been to make amends for the fantastic creations of their predecessors by ignoring the existence of primitive economics altogether. Such an attitude can be easily justified by inviting a glance at the pressing and complex problems awaiting solution in the modern industrial and commercial system. But the science thereby does lay itself open to the reproach that while formulating principles of professedly general application it is in reality concerned only with the study of the phenomena of the civilised states of the present day, and of their historical antecedents. This was pointed out by Bagehot in 1876 and again by Ashley in recent years, while R. Mukerjee still more trenchantly proclaims the spurious nature of the cloak of universality worn by the current economic doctrine. The charge is not without truth. Economics must recognise that to justify its name of science and to lay down propositions of general validity for mankind as a whole—if such be possible—it must be prepared to consider a wider range of phenomena than heretofore, to extend its concepts and inquiries to peoples in diverse parts of the world, and of quite different type from those equipped with civilised institutions. Apart from theoretical interest, such study has direct practical value.

For the study of primitive economics there is ample scope. Objection may be made that the economic organisation of native folk is so rudimentary as to offer virtually no field for investigation. To this the few good monographs which have already been published, to mention only those of Mauss, Malinowski, and Thurnwald, are sufficient reply. They reveal that in his economic affairs the native is actuated by an extremely complex set of

¹ See F. A. Walker, description of the origin of capital (*Political Economy*, 2nd ed., 1887, 62 *et seq.*) ; Gonner, account of exchange (*Political Economy*, 1888, 83 *et seq.*) ; W. Roscher on capital (*Grundlagen der Nationalökonomie*, 23rd ed., 1900, 564-5) ; A. W. Flux, exchange under primitive conditions (*Economic Principles*, 1923, 36-7), etc. For criticism of this economic savage, see Max Schmidt, *Grundriss der ethnologischen Volkswirtschaftslehre*, 1920, i, 22 ; B. Malinowski, *Argonauts of the Western Pacific*, 1922, 60-62.

motives, and that his organisation, far from being of the simple and straightforward type to which it is popularly ascribed, presents certain features which are both complicated in operation and difficult to analyse and understand. In fact, a brief study of primitive economic conditions suggests an initial problem. Is not the organisation of the industry of uncivilised folk so radically different from our own that quite another set of premises will be necessary in approaching the whole inquiry? A deeper analysis leaves one with the conviction that, generally speaking, such is not the case; it seems clear that much more of current economic doctrine, or at least of economic concepts, can be applied to primitive conditions than is at first realised. In fact, these latter on investigation are seen to display forms of institutions which we have too readily assumed to have taken their origin only in fairly modern times and in highly developed societies, such as specialisation of crafts, trade and credit. These institutions, naturally, are on a much smaller scale and less perfectly organised, but the essential nature of the phenomena is the same. In any event, such problems demand solution and should not be tacitly ignored.

Deprived of the stimulus of economic theory, the anthropologist is content to spend his time on more attractive subjects. Economics at first sight is not a picturesque field of research, which is perhaps one of the basic reasons for the lack of attention it has hitherto received. It has none of the mystic awe of religious rites, the hot thrill of war and the hunt, or the delicious attraction of the mysteries of love and sex. Even technology, a kindred sphere, has the appeal of tangible objects and the interest in unravelling problems of construction, pattern and form. But economic organisation, to the average anthropologist, rather lacks these charms. It is prosaic, deals with the common round of life, matters of work and the handling of goods, and from its very familiarity is, paradoxically enough, the more difficult to observe in perspective and adequately to describe. As a result it is too often ignored or taken for granted. Apart from some notes on food supplies, division of labour and, maybe, native "currency," little in the way of data of real economic importance is usually collected. Records of the native at work, his forms of organisation, motivation of industry and the intricate functioning of the apparatus of production, distribution and exchange are rarely obtained. It is time that such a fundamental aspect of native life received more than merely lukewarm attention from those whose avowed object is the study of primitive institutions.

There is one drawback, indeed, from which the study of primitive economics must always suffer—the lack of precision in the data examined. The same is true of the science as a whole, even in respect of current problems, and to this extent its generalisations must always lack finality; but in regard to primitive society the position is more acute, owing, *inter alia*, to the practical impossibility of obtaining adequate statistical information. One has to be content, therefore, to formulate general principles of correspondingly less precise and definite character.

After this discussion of primitive economics in relation to its parent sciences we may turn to review the development of the study, and the type of problems to which attention has been mainly devoted. The first rudiments of theoretical inquiry may be traced far back in the history of thought, but it is not until the opening of the nineteenth century that any real interest begins to attach to them. The fundamental problem at this time and for many succeeding decades was the formulation of a scheme of development of human economy, the creation of stages of progress into which the various cultures could be fitted, and which led up in regular sequence to the economic system characteristic of present-day conditions in the civilised states. The great number of these schemes renders it impossible to consider them in detail, and a brief reference to the theories of some of the principal writers will have to suffice.

STAGES OF EVOLUTION

The scheme which first and for a long period held the field was that of the three stages of development (*Dreistufentheorie*¹). According to this view the primal state of society was one in which man gained his livelihood by hunting or fishing, varied by the collecting of nuts and fruits. To this type of existence succeeded a pastoral stage, the tending of animals in nomad fashion forming the chief occupation. Progressing further, man emerged on to another economic plane, characterised by a settled life and the practice of agriculture. Such was the view of primitive society held by Adam Smith (1776)—who spoke of “hunters,” “shepherds,” and “agriculturists”—and the social philosophers of the eighteenth century. It was also adopted later by Friedrich

¹ For an exhaustive historical critique of the theories of primitive economics v. W. Koppers “Die ethnologische Wirtschaftsforschung,” *Anthropos*, x-xi, E 1915-6, 611-51, 971-1079, especially good for the earlier writers; his estimate of recent work is not so adequate. A useful review of certain outstanding theories is also given by Fritz Krause, *Wirtschaftsleben der Völker*, 1924, 113-24.

List (1840), who added two additional stages to cover the development of a civilised economy.¹

With the widespread acceptance of the biological doctrine of evolution these three stages of development came to be regarded not only as an historical reality, but also as the necessary and predetermined halting places in the march of economic progress. The metaphor is exact, for the application of the concept of evolution, indeed, was not quite consistent, since the "stage" vaguely signified "arrival," the "fixed point," "completion for the time being," with periods of transition in between. But the essence of normal evolution is that every moment is one of transition, there is no suspension of change, no rest-period. Instead of properly representing economic development as a process of gradual and continuous modification, the theory of occupational stages embodied the idea of a pause and then a forward movement. In this it was not quite true to the tenets of its proclaimed faith.

Originally it seems to have been believed that all humanity passed through—or in the case of the more primitive peoples, was destined to pass through—these stages of economic development. But this idea of a universal course of evolution soon disappeared. It was pointed out at a very early date that the absence of large mammals in various parts of the world where some form of agriculture was practised rendered it almost impossible for the inhabitants of those regions ever to have led a pastoral existence. Thus before the end of the eighteenth century Izaak Iselin in his study of the history of mankind, using the material of Cook, noted that the Maori cultivated the soil, but since they had no cattle could not therefore have advanced through a pastoral stage to agriculture.² The same was pointed out later by Alexander von Humboldt of certain North American Indian tribes. Other writers again, as Bruno Hildebrand, drew attention to the general fact of the dependence of the economic life of a people upon their natural surroundings, and thus supported the view of not a unilinear, but a multiple evolution.

The evolutionary scheme of three stages of development is still retained by a number of recent writers, as F. A. Walker, and, more notably, C. Gide, but in this form it represents the idea of a logical rather than an organic or actual line of development.

In time the old three-stage pattern of economic development

¹ In this he was anticipated to some extent by Heinrich Storch in his *Cours d'économie politique*, St. Petersburg, 1815.

² I. Iselin, *Über die Geschichte der Menschheit*, 4th ed., Basel, 1779, ii, 20.

was abandoned, chiefly through the influence of Ratzel, and even more potent, that of Eduard Hahn, but only to give rise to a veritable crop of new schemes in which the principle of evolution still played the leading part.

Before this, however, individual writers of eminence had sought to classify types of society in different ways, and each put forward his own conception of the mode in which the economic advancement of man had taken place. Thus Bruno Hildebrand, criticising the scheme of List as unhistorical, since it drew inspiration mainly from the course of events in a single country, England, later put forward his own view, which made the type of exchange the criterion. He distinguished a period of barter, a period of money, and a period of credit.¹

In 1877 Lewis Morgan, in *Ancient Society*, marked off two stages of savagery and three of barbarism. According to the view of Waitz (1859) and also of Bachofen (1861), agriculture was a direct descendant of the hunting state of early society, while Nowacki (1879) in a well-argued essay gave evidence as to the derivation of pastoral nomadism and agriculture by divergent ways from the original hunting and collecting stage. H. Ling Roth (1887) also regarded agriculture as a development of the collection of vegetable food, and probably the result of the tentative efforts of woman.

One of the most prominent theorists towards the end of the nineteenth century was undoubtedly Eduard Hahn, prolific as a writer and spirited as a controversialist, who while dealing resounding blows at the old *Dreistufenlehre*, erected at the same time his own hypothesis of the evolution of institutions. According to him, economic development proceeded everywhere, when natural conditions allowed, from the initial stage of hunting and collecting by way of hoe-culture and garden cultivation. True agriculture, however, associated with the domestication of cattle, was produced by the unique conditions of one special area, old Babylonia, and took its origin in the performance of religious rites pertaining to the worship of the Moon-goddess. Moreover, on this theory pastoral nomadism was a development from the Babylonian plough-culture, an inversion of the usual evolutionary order which aroused a vigorous opposition. In the validity of Hahn's theories one may decline to believe, but it must be allowed

¹ *Jahrbücher für Nationalökonomie und Statistik*, Bd. II, 1864, 1-24. In his critique of List he points out that a comparison of the development of Great Britain with that of Holland as described by List himself shows that the latter's general theory is untenable. (*Die Nationalökonomie der Gegenwart und Zukunft*, Bd. I, 1848, 72.)

that he made a definite contribution to the study by his classification of the various modes of tilling the soil, pointing out especially the distinction between hoe-cultivation (*Hackbau*) with simple tools, and agriculture proper (*Ackerbau*) with the plough and domesticated animals (*Pflugkultur*). He also was one of the first to realise, however dimly, that the development of economic institutions cannot be explained along purely rational lines, and by his emphasis on the religious element associated with food pursuits paved the way for a broader consideration of the problem.

The rigid doctrine of unilinear evolution was rejected by Ernst Grosse, who regarded the various types of economy as being primarily determined by the drive of economic effort working itself out in the particular natural environment. Hence the Lower and Higher Hunters, Pastoralists and Lower and Higher Agriculturists of his scheme represent not so much grades or stages in the one process of development as separate forms of economy emerged from local conditions of life. The most notable feature of Grosse's work is the emphasis which he lays upon the economic factors in culture; according to his view the type of economy, more particularly the form of production, primarily determines social relationships such as the form of the family, and through these influences in overmastering fashion the whole course of life in its varied aspects. The primacy of the economic life as the determining factor of the form of all social institutions cannot be upheld; the relation between them is deep, but it is reciprocal, not a one-sided cause-and-effect. But the work of Grosse, in drawing attention to the importance of the economic factor in culture, in classifying people with more heed to their actual conditions of life than to their place in a preconceived scheme of economic evolution, undoubtedly has helped to broaden the basis of the study of primitive economics.

A classification of another kind was undertaken by Alfred Vierkandt. To the usual method of assigning peoples to different culture levels by reference to their economic status he made objection, on the grounds that culture was not necessarily proportionate to economic development, and again, that such a classification was not based upon the most fundamental cultural determinant—the psychological nature of man. "The culture level of a people is rooted in the average height of the spiritual life of the whole (*wurzelt in der durchschnittlichen Höhe des geistigen Lebens der Gesamtheit*)" he says.¹

¹ Die Kulturformen und ihre geographische Verbreitung " *Geographische Zeitschrift*, iii, 1897, 256-67, 315-26.

Hence he was concerned with cultural rather than economic criteria and conducted his analysis upon a more purely psychological basis. Thus he traces the beginnings of human industry in obtaining subsistence to an instinctive foundation, and finds for example the roots of hunting among primitive people in a specific instinct probably inherited from our animal forebears.¹

On his scheme the cultures of mankind are divided into six grades, the highest alone, that of "Full culture" (*Vollkultur*) being characterised by the existence of free personality and a strong development of the spirit of individual expression and criticism. The remaining peoples are marked in varying degree by a constraint of consciousness (*Gebundenheit des Bewusstseins*) in which the individual is subjected to the authority of the whole community. Of these latter peoples there are four primary types, the roving peoples, the true nature folk, the nomadic semi-cultured peoples, and the settled semi-cultured peoples. In addition to these, in the regions penetrated by European influence and often marked by the infiltration of European blood, the folk of mixed culture are distinguished.

The work of Vierkandt, with its emphasis on the need for psychological criteria in addition to the purely economic or occupational measure of cultural efficiency, is valuable as a corrective to the study of culture types. Moreover, in regarding economic life as a development upon a basis of instinctive endowment he has initiated a study of very real importance. Later research, though it has not confirmed his view of a specific hunting instinct, is beginning to recognise with growing interest the importance of probing to the biological foundations of human institutions and examining the transmutation from natural to cultural process. But Vierkandt's distinction between the people of higher and lower culture on the basis of development of individual initiative and expression is hardly well founded, and betrays his chief weakness, reliance on a psychological as against a sociological foundation of analysis.

Heinrich Schurtz, on the other hand, though recognising that the fundamental basis of culture lies in the psychological sphere, prefers in the face of the difficulty of evaluating these criteria, to rest his scheme of grouping upon more external and economic factors. These, according to him, correspond to the inner fabric of society, and may be legitimately used for classification. On this basis he distinguishes the groups of roving folk, hunters,

¹ "Die Vulgärpsychologie in der Ethnologie und die Anfänge der menschlichen Ernährung" *Festschrift Eduard Hahn zum LX Geburtstag*, Stuttgart, 1917, 70.

fishers, nomads, agriculturists and industrialists. In general he is in agreement with the theories of Hahn, but rejects the latter's derivation of the domestication of animals, regarding it as a development from the conditions of the hunting state. Though an upholder of evolutionary schemes, believing them, in spite of their admitted imperfections, to be a necessary aid to the classification of the data of primitive economics,¹ Schurtz displays a moderate outlook, and considerable value attaches to his detailed studies of economic phenomena in primitive society.

The theories of primitive economic development put forward by the principal exponents of the evolutionary doctrine in anthropology before the end of last century have now been briefly reviewed. Despite the wide acceptance of this method of approach, and its conformity to the general scientific temper of the period, their work did not pass altogether unchallenged.

Perhaps the fullest criticism of individual evolutionary schemes came from within the ranks of these writers themselves, where, as has been shown, there existed considerable diversity of opinion. Indeed, it seemed for a time as if the study of primitive economics were doomed to degenerate into a hopeless welter of hypotheses and a tedious wrangling over origins. But side by side with an increase in available data from field-work came a development of interest in the actual character of the phenomena studied—in the essential nature of institutions and the organic interrelationship of the elements which compose them, as against the setting of them in chronological sequence and inquiry after their hidden beginnings. Thus the work of the newer exponents of the evolutionary doctrine has a richness and a flavour of reality which was too often absent from the schematisation of the older writers.

THE WORK OF KARL BÜCHER

In recent years one of the most outstanding figures in primitive economics is undoubtedly Karl Bücher, and a brief critical estimate of his work is therefore demanded.² Both his *Entstehung*

¹ "Die Anfänge des Landbesitzes," *Zeitschrift für Sozialwissenschaft*, 1900, iii, 245-6.

² The best study of his ethnological writings is that of Olivier Leroy, *Essai d'introduction critique à l'étude de l'économie primitive* 1925. Useful criticism of Bücher has also been made by L. Wodon, *Sur quelques erreurs de méthode dans l'étude de l'homme primitif*, 1906; W. Koppers (*op. cit.*); and R. Thurnwald, essay in *Erinnerungsgabe für Max Weber* (i, 1921), "Handel," "Handwerk," and various other articles in Ebert's *Reallexikon der Vorgeschichte*, 1925-7; also review of Leroy, *Zeit. f. Ethnologie*, 1926, 235-7.

der Volkswirtschaft (translated in 1901 under the title of *Industrial Evolution*) and *Arbeit und Rhythmus* occupy a deservedly high place in the somewhat slender literature of the subject. At the same time, both from his general premises and from the paucity of relevant data upon which to draw, his work possesses some grave faults. In essential these spring from the fact that as a *Nationalökonom* of the nineteenth century, he projects the concepts formed by the study of modern institutions on to the plane of savage life, and in this way formulates *a priori* his conclusions as to the structure of primitive economics. Such in reality is the method by which he has discovered in the phenomena of modern native life "traces" of a condition of "individual search for food," a pre-economic stage of development (*ein vorwirtschaftliches Entwicklungsstadium*). Thus Bücher affects scorn of the artificial constructions of the classical economists; the old three-grade scheme is rejected. But in its stead is substituted a hypothetical system which is still further removed from reality, in that the initial stage of development is characterised by an entire lack of economy. As Leroy points out, Bücher has proceeded on the principle of negation, denying to the primitive all that he conceives to be the attributes of the civilised man. Hence to the altruism, honesty, work and forethought of the members of our own society are opposed the egoism, thievery, idleness and improvidence of the savage.

This vice of method has led Bücher to a number of erroneous conclusions. In the first place his postulate of a pre-economic stage of individual search for food, evidence of which condition he claims to find in the modern savage, is purely hypothetical, and receives no support from an examination of even the lowest human races. The economic life of such peoples as the Vedda, Bushmen, Andamanese, Senöi and Yagan shows conclusively a definite co-operative organisation in the work of production.¹ A study of the realities of ownership and the institution of property among primitive people shows too that Bücher's assertion as to the pure individualism of the savage is untenable. Everywhere the holding of property assumes a distinctly social character. It may be mentioned on the other hand, however, that the theories of the development of our private ownership of to-day from primitive communism, which are advanced by several writers, both popular and scientific, are to be regarded as equally fantastic. This idea was in particular the product of Marx and

¹ Ample proof of this is given in the respective monographs of C. G. and B. Z. Seligman, S. Passarge, A. Radcliffe-Brown, R. Martin and W. Koppers.

Engels, influenced by the Hegelian dialectic, with its conception of any state of society as being the negation of that which immediately preceded it. In the case of Morgan, Maine and later, Rivers, this conclusion was largely the result of generalisation from an inadequate basis of inductive inquiry. With another group of theorists, on the other hand, it was adopted as being consonant with their political aspirations, to which it would afford a useful precedent in keeping with the philosophical system which they embraced. Even at the present time this evolutionary doctrine of the communistic ownership of all property in primitive times is a tenet of faith vigorously championed by some rather ill-informed writers, of whom William Paul is a case in point.¹ But the facts of native ownership support neither this nor Bücher's theory of individualism. "Property, which is but one form of legal relationship, is neither purely individualistic, nor communal, but always mixed," says Malinowski.² While Leroy points out that reality is profoundly indifferent to "philosophico-political systematisations" and remarks: "Concluons donc; communisme, individualisme sont des formules trop vagues, trop lâches, où la réalité ne se laisse pas volontiers emprisonner."³

Apart from the test of fact, there are several inconsistencies contained within Bücher's theories. Thus after postulating a pre-economic stage of individual search for food as the initial condition of mankind, he fails to explain how this becomes rather miraculously converted into a stage of closed household economy. Nor does he attempt to harmonise his theory of the origination of exchange in a former state of free bestowal of gifts with the strictly selfish individualistic economy of the primal social state.

As regards the genesis of exchange it is interesting to compare the theory of Bücher with another of the same type, since the two in conjunction help to illustrate one of the cardinal defects of the evolutionary method. Bücher, working on evidence from Polynesia, Sudan, Central Brazil, Australia and ancient Greece, concludes that the institution of exchange developed out of the

¹ See his *Communism and Society*, 1922, and *The State: its Origin and Function*, 1917. The former work opens: "The history of human society shows that the earliest and most universal form of economic structure was primitive Communism to which corresponded a definite conception of Government—the Clan." The slave revolts of Greece and Rome are interpreted as attempts to get back to this idyllic condition. "The human race, living, as it did, for thousands of years under Communism, in the old gentile or Clan system, had communistic impulses rooted in its fibre" (17).

² *Crime and Custom in Savage Society*, 135; cf. also his article "Anthropology," *Encyclopædia Brit.*, 13th ed., 1926, and Thurnwald's "Eigentum" in Ebert's *Reallexikon*.

³ *Essai critique*, 45; also ch. iv.

custom of making presents, taking form in a system of mutual gifts. Thus "among many primitive peoples peculiar customs have been preserved which clearly illustrate the transition from presents to exchange."¹ This theory will be dealt with at length elsewhere.² For the present it may simply be contrasted with its antithesis. For another body of opinion holds on the basis of certain phenomena observed among African and Asiatic tribes, that commercial exchange developed out of the "silent trade" or "dumb barter." This institution in its turn is a development from an original state when violent seizure of goods was the rule. According to Müller-Lyer the customs of the Akka and the Mountain Vedda "prove unmistakably the transition from robbery to so-called dumb barter."³

Consideration of these two hypotheses side by side—one supporting the development of exchange from gifts, the other its genesis from robbery—exposes an inherent defect in the orthodox evolutionary treatment, with its idea of economic stages. For in their desire to learn the origins of things these theorists come to look at the present simply from the point of view of the past. They are interested not in the structure of society as it is, but in the state out of which it might have arisen. They study possible chronological sequence rather than actual social linkage. Instead of trying to evaluate a custom by reference to its cultural milieu, to find whether it cannot be correlated with existing institutions, they expend their energies in attempting to sift out of it the supposed elements from which it has been derived, and place them in some imagined order of progression. And so where some aspect of economic life is characterised by different customs among different peoples, divergent theories of this type are bound to develop, each equally valid—or futile. The disconcerting feature about such a scheme of evolutionary stages is that it may be started just as well from either end, and with equal plausibility. Thus whereas Bücher interprets the customs of the Indians of British Guiana as giving evidence of the transition from gift-making to exchange, Müller-Lyer includes the same people in his exposition as an instance of the development of exchange to guest-gift!⁴

Of Bücher's other theories, such as that of the development of work from play, similar criticism can be made. The inaccuracy

¹ *Industrial Evolution*, 63.

² See the writer's forthcoming book *Wealth and Work of the Maori*, ch. xii.

³ *History of Social Development*, 1920, 269; trans. of his *Phasen der Kultur*, 1908, by Elizabeth Coote Lake and H. A. Lake.

⁴ Bücher, *op. cit.*, 64-5; Müller-Lyer, *op. cit.*, 160-1.

of his composite picture of savage life—for while purporting to characterise the “nature-folk” of the lower ranges of culture, he loosely draws his illustrations at convenience from peoples of every type—and his errors in matters of fact need not be traversed here. It must be granted to Bücher in conclusion, however, that he has performed a distinct service in drawing attention to the study of primitive economics by bringing its subject-matter into comparison with the economy of civilised peoples.

The evolutionary method of treatment, purged of its most palpable faults, is still followed by a number of writers, who on the descriptive side have made useful contributions to the study. Among others the analyses by R. Lasch of the economics of primitive agriculture and the market, the work of Müller-Lyer and Fritz Krause on types of institutions, of Jan St. Lewinski on the origins of property in land, and of M. Moszkowski and Karl Weule on native industry bear a considerable value. The old *Dreistufenschema* and similar theories are no longer held as valid. As Lasch remarks: “To divide off exactly the individual forms of economy one from the other and estimate their chronological sequence has proved, for the time being, an impossibility.”¹

But the practice of viewing an institution as a stage in the development of an evolutionary series still persists, and tends to obscure the recognition of some of the fundamental economic ties within the society studied.

PRIMITIVE ECONOMICS IN THE MODERN TEXT-BOOK

The economists who deal with modern civilised society show themselves to be not wholly free from this evolutionary bias when they stoop to consider the conditions of primitive peoples. Thus, to mention a few examples, Emile Levasseur distinguished five grades in economic evolution, very much in the manner of List, the grades being occupational in character and marked by differences in density of population. Sociologists like Maxime Kovalevsky (1896) and Guillaume de Greef (1904) also subscribed to this idea of the development of economy through the stages of hunting and fishing, pastoralism and agriculture, and praised *la grande loi de l'évolution*, and the value of its application to social phenomena. At the present day some economists, like Charles Gide, still take over completely the old concept of stages of economy, and so by the weight of their authority help to

¹ “Einführung in die vergleichende Völkerkunde,” 13, in Georg Buschan's *Illustrierte Völkerkunde*, 1922, vol. I.

perpetuate an outworn creed.¹ Others reject such a superficial classification, but neglecting to study the vital elements of primitive economics give an abstract and arbitrary character to their own conclusions.

As an illustration of the lack of appreciation of the complexity of the problem involved, the treatment of savage institutions adopted by the eminent American economist, Professor E. R. A. Seligman, may be briefly considered. In his *Principles of Economics* (9th ed., 1921) he gives a just criticism of the various schemes of economic stages, on the grounds of their vague, incomplete and superficial character. On the other hand he himself still adheres to the theory long since superseded of the origin of the family in the primeval horde. Moreover, he sets up a scheme of economic development in which the first stage is said to be one of self-sufficing or isolated economy, and the unit, the household, lives to itself and has in the normal way no necessary relations with any other household. In production and consumption it is quite independent of any other group, and barter only arises in course of time, when a group has learnt to raise a surplus and trade it away to others—first in propitiatory fashion, but later in the expectation of receiving a return. "But at the outset, and for a long time, there is no barter, because in a typical self-sufficing economy there is no need of barter" (76). This dictum is an obvious application to the institutions of primitive man of the criterion of pure rational utility, a principle which is not always valid as a determinant factor even in our own society. Moreover, one cannot argue an institution out of existence on a *priori* grounds merely because one cannot see the need for it. Barter is declared to be absent because it is not needed in the hypothetical scheme; how on this criterion can one account for the important systems of exchange in Melanesia, and the reciprocal feasts in Polynesia, the essence of which is that *goods of the same kind* and often *without direct practical use* are transferred from each party to the other? The exchanges take place in gratification of a complex set of social motives—pride, vanity, ambition, sense of kinship bonds—but on the principle of economic utility there is no "need" for them ever to occur. This is an illustration of how the application of a *priori* assumptions to the study of primitive economics is apt to lead to conclusions which crumble at the touch of fact. This criticism, it is scarcely necessary to add, cannot be laid at Seligman's door in

¹ Gide, *Cours d'Économie politique*, ed. 1921, tom. i; cf. the acute criticism by Olivier Leroy, *L'Activité économique primitive d'après M. Charles Gide*, Paris, 1926.

any other aspect of his work, the quality of which is too well known to need comment here. Such views are unfortunately more detrimental to primitive economics than to the treatise which contains them, since the reputation of such an established authority gives currency to spurious coin.

In the works of Alfred Marshall one finds little reference to primitive economics, and his discussion of barter is frankly based on the acts of a fictitious savage. He accepts, however, the general evolutionary position that the appliances and institutions of primitive folk develop gradually, by imperceptible advance. He is also of opinion that much more of economic theory than at first sight appears can be adapted to the culture of "backward races."

In rare cases the reality of the institutions of primitive man has been grasped by the economist, as by J. A. Hobson in his account of the human origins of industry given in *Work and Wealth*. In particular he has recognised the complex nature of the motives involved, the vital appeal to economic utility, and the no less important driving elements of sportive, artistic, social and religious interest.

By most of the economic historians the institutions of primitive man are dismissed in a few sentences, and even when fuller treatment is accorded, the data are often taken from ethnological accounts which have been superseded by later research. The reliance of Schmoller upon Spencer and Morgan is a case in point. The scheme of Schmoller, with its emphasis on political grouping; the distinction drawn by Philippovich between house economy and trade economy, the latter embracing successively town, territory and state; the effort made by Sombart to grasp the reality of economic advancement by basing his system on the degree of association (*Vergesellschaftung*) in economic affairs, and the opposition of "need" to "profit" economy—these, with other similar ideas, bear only upon the fringe of economic anthropology, and do not call for discussion.* To the student of the primitive there is an ever-present temptation to slip over into the attractive field of the theory of economic history, but this is not possible here. With the critical attitude taken up towards these evolutionary schemes of development by such writers as Gustav Cohn or G. von Below, the present essay is largely in agreement.¹

¹ See e.g., "Über Theorien der wirtschaftlichen Entwicklung der Völker," G. von Below, *Probleme der Wirtschaftsgeschichte*, 1920. This gives a useful critique of various theories, including Bücher's concept of a closed household economy.

CLASSIFICATION OF TYPES OF ECONOMY

This review of the part which various evolutionary theories have played in the study of primitive economics may be concluded by a short critique of the methods and assumptions which underlie this general conception of stages of progress. There is no need to enter deeply into this question, since it has been dealt with at length by a number of writers.¹ The article by Mr. M. M. Postan, also appearing in the present number, provides an excellent critical study of the wider issues of this problem.

It may be said at once that these evolutionary schemes usually fail to stand the test of fact. They are artificial, as criticism has shown. They do not represent any historical reality, but are compounded of logical abstractions, having their basis, as with the doctrine of Herbert Spencer, in some already formulated philosophical system. The comparative method, which is widely used by the adherents of the evolutionary school in order to demonstrate the validity of their theories, consists essentially in examining different types of an institution as they appear among different folk, and then assigning them to successive grades in development. Clearly, however, this is not a proof, but an illustration of the evolutionary hypothesis, since one must first have assumed that the culture of each of these folk has followed the same course of progression. The principle of unilinear evolution which gave rise to so many theories in primitive economics is a postulate of which the validity has not been endorsed by later research.

The claim is often made in extenuation of evolutionary schemes that while confessedly artificial, they are necessary in order to cope with the data to hand, and reduce the study of primitive economics to some semblance of order. Thus to Moszkowski, such schemes are logical abstractions rather than historical realities; and yet, though not the truth, they are a means of assisting us to reach it.² Their justification lies in the fact that they serve to make accessible and comprehensible a mass of otherwise inchoate material. It is probable, as Leroy points out, that Bücher also recognised that the distinctions he drew were not founded in any reality of social phenomena, but was prevented by his taste for systematisation from rejecting what he regarded as a principle essential to clarity of treatment. Schurtz, too,

¹ E.g., W. Koppers "Die ethnologische Wirtschaftsforschung," *loc. cit.*, *Die Anfänge des menschlichen Gemeinschaftslebens*, 1921; A. A. Goldenweiser, *Early Civilisation*, 1923, 20-7, 125-8; B. Malinowski, article "Anthropology," *Encyc. Brit.*, 1926; A. Leroy, *Essai critique*, 1-4, *et passim*.

² *Vom Wirtschaftsleben der primitiven Völker*, 1911, 3.

perhaps the soundest of the older writers, defends the construction of schemes of development as a temporary expedient for purposes of systematisation. "This making of schemes is necessary," he says, "and it is harmless, too, so long as one regards each scheme as a temporary means of assistance in face of the active flow of development, and does not bind oneself to it with body and soul."¹ Moreover, a scheme of this kind is simpler to grasp than the necessarily vague concept of development as it takes place in actuality. This argument is not without weight, and one must acknowledge that incidentally the constructors of such schemes accomplished a very useful work in "that gay and irresponsible time during which a youthful science sows its wild oats," as Marett neatly terms it, by giving form and coherence to a subject as yet faintly understood. But the appeal to expediency carries less conviction when we consider that the kind of simplification and systematisation introduced by these schemes has involved a distortion of reality and a distraction of attention from vital issues which has definitely hampered the advancement of the study.

Schemes of classification are indeed essential to primitive economics, as to any science, but they need not be schemes of development. In other words, the time-factor, the idea of chronological sequence, the emergence of one "stage" from another—whether of historical or evolutionary causation, for the same criticism applies to each—need not be introduced. There is an urgent need for the classification of cultures as regards their economic achievement, to be undertaken on the basis of present status without reference to any imagined order of progression. It is the case for the study of the *form of economy* (*Wirtschaftsform*) as against that of the *grade of economy* (*Wirtschaftsstufe*).

This is not to deny the idea of development altogether. The fact of social change is apparent to all, and, if only in the plane of material culture, one can point to modifications in structure which have made possible a greater efficiency, a greater degree of achievement. The concept of evolution is still fruitful for the study of social phenomena. Even the ordinary usage of the term "primitive" as applied to native peoples by the anthropologist bears some connotation of their position on a development scale.

The point of this criticism rests against the misapplication of the idea of evolution; the dissipation of energy in the creation

¹ "Die Anfänge des Landbesitzes," *Zeitschrift für Sozialwissenschaft*, 1900, iii, 245.

of hypothetical schemes of change and progress, to the detriment of the real needs of the study ; the peering back after imagined origins in the past with a corresponding neglect of the complex reality of the present.

The validity of any scheme of classification which separates the cultures of the diverse peoples of the world into a number of categories or economic types depends upon the nature of the criteria adopted. In the first place such a classification must be empirical, taking as its measure of distinction not an abstract idea of the phenomena, but the complex reality of structure of the communities concerned. Again, the criteria must be comprehensive in their scope ; any scheme which relies upon a single institution or set of phenomena arbitrarily chosen, such as the form of exchange or the type of agriculture, can have but a limited use and accuracy. It seems fairly clear that the most objective basis of distinction is the type of material culture and the nature of the technological methods employed. Economic effort, looked at from one angle, represents the attempt of man to subdue nature to his needs, so that one may rightly take as an important criterion for classification the nature and extent of achievement along these lines. From a study of the types of implement in relation to their use, their efficiency—the capacity to serve the end for which they were designed—can be estimated. This is possible without bringing in the more debatable question of the degree to which they contribute to human welfare. The fact that objects of material culture can be thus compared with reference to their appropriateness to suit the immediate end, without discussing their relative merits on a wider scale of social values, renders them of peculiar importance as criteria in a classification of types of economy. But this in itself is not sufficient. Material culture and technique must be taken in conjunction with the organisation of production ; this is closely linked with the form of distribution and exchange of goods, while these in turn are bound up with social grouping, customs of hospitality, and rules of inheritance. To establish securely the difference in various types of economy this full institutional complex centering around the provision of the material goods current in the society must be taken as a basis of distinction. The working out of such a classification in the present state of our knowledge would be a difficult task, inasmuch as the cultures of which the economic organisation has been adequately studied can be numbered almost on the fingers of one hand. But the increased interest in primitive economics seems likely to lead to

the production of monographs giving a detailed analysis of the economic system of various peoples, a work which will facilitate the ultimate process of classification.

THE KULTURHISTORISCHE SCHULE

A prominent position in the study of primitive economics at present is occupied by the followers of the historical school, or, as it is termed by its German adherents, the *kulturhistorische Schule*. These writers follow Grosse, for whose work they express deserved admiration, in linking up the social aspects of life strongly with the economic, and in laying stress on economic factors as the prime determinant of culture. According to Pater W. Koppers, one of the most authoritative writers of this school, not only is the economic life of mankind "the pre-supposition, and the pre-condition of all culture," but "the economic relations from one aspect to another influence the remaining sides of cultural life in the deepest fashion."¹ Since the economic situation of man forms the groundwork, the mother-soil (*Mutterboden*) of his existence, and the foundation of the other aspects of his culture, it can be appealed to in an attempt to explain their character. Above all, to understand the history of social institutions a study of economic relationships is essential.

This view marches very closely with the doctrine of historical materialism, of which indeed the exponents of the *kulturhistorische Schule* have been accused. From this charge they have been at some pains to clear themselves, and to this end have had to draw some rather fine distinctions.² The kernel of the separation which they make lies in their attitude towards religion. According to the theory of historical materialism, religion is conceived as being essentially a product of economic conditions, the whole structure of the spiritual life being founded on a material basis. This Koppers and the other writers deny, pointing out that religion in its essence is a response to certain inner needs of man, independent of his material situation. On the other hand, they readily admit that religion is deeply influenced by economic conditions, which determine many of its external forms and modalities.³ With this one can agree, and on this point the view

¹ Pater W. Koppers, *Anfänge des menschlichen Gemeinschaftslebens*, 152-7; *Völker und Kulturen*, 1924, 634-8; "Die Überwindung des historischen Materialismus durch die historische Völkerkunde," *Das Neue Reich*, Wien, Nos. 35 and 36, June 5th and 12th, 1926.

² *Die Anfänge des menschlichen Gemeinschaftslebens*, 56-7.

³ A quotation will illustrate Koppers' position: "Es ist keine Erklärung, und es kommt schon einem kompletten Unsinn gleich, diese Dinge als rein im Materialwirtschaftlichen begründet sehen zu wollen. Die äusseren ökonomischen Beding-

of the *kulturhistorische Schule* is clearly differentiated from the materialistic conception of history. In other respects, however, the separation is less sharply marked, and a harshly literal interpretation of such general phrases as "the unique fundamental meaning which dwells in economic relations in regard to the collective cultural life of mankind" might suggest a certain inconsistency between these and the later triumphant announcements of "the overcoming of historical materialism" by the new anthropology.

For their recognition of the vital importance of the study of primitive economics the writers of this school deserve credit, and a number of essays and monographs, largely from the pen of Pater Koppers, testify to their interest in this branch of research.

But their central methodological principle gives a distinct bias to their work which tends to limit its usefulness. Their study of primitive economics is subordinated to the aim of explaining the historico-cultural development of mankind, which means in practice the construction of a scheme starting from the primal beginnings of human society and embodying a number of grades of economy. These, occupational stages allied with certain forms of social institutions, are the *Kulturkreise* which, by impinging upon one another in historical sequence, account for the diverse types of culture in the modern world. It is the claim of the writers of this school that of the evolutionary and historical methods of inquiry "the latter alone bears a truly scientific character"¹ It is true that they appeal to no hidden principle of mutation working behind the scenes and producing the various forms of social institutions. But their postulate of a primal stage of society (*Urkultur*), their system of manifold grades of development, with three primary *Kulturkreise*—exogamic patriarchal, exogamic matriarchal, and patriarchal with strongly developed family—and a number of secondary cultures, is well nigh as abstract and hypothetical as were the old evolutionary schemes. To label the most primitive peoples now existing in diverse parts of the world as the representatives of the oldest sphere of culture, and on this basis to lay down the characteristics of what must have been the primal form of economy, the *Urwirtschaft*, is not a statement of historical fact but a pure assumption. This method of investigation is also open to objection on the score of its

ungen erklären wohl gewisse Modalitäten der Sache, ihre äussere Erscheinungsweise, aber keineswegs ihr Dasein und Wesen als solches." (155-6).

¹ Koppers, *Die Anfänge*, etc., 136.

mechanistic treatment of culture by derivation and diffusion, its arbitrary segregation of a selected number of factors as an historical unit—hunting, totemism, patriliney, for example—and its way of smothering the realities of the economic life of a people under descriptive labels which hide its essentially vital character.¹

In specific reference to primitive economics once more, the chief criticism which can be advanced against the work of Pater Koppers and his colleagues is their preoccupation with questions of primal origins and lines of development. In this, at all events, they are at one with their evolutionary opponents. It is perhaps characteristic of a science to attempt the elucidation of its most difficult problems first. It is clear that in society there *is* evolution and there *is* history. But it is vain to attempt to use either of these concepts as a magic key to open the door to understanding. The evolution or the history of an institution only becomes charged with meaning when the process of change is interpreted by correlation with the other features of the existing social structure. The study of such development, however, demands a more adequate knowledge of social process than we possess as yet. What is needed in the present state of the science is that type of spadework which will lay bare existing facts and relations, and clear the way for a better understanding of the character of phenomena as they are actually linked in society. The essential problem in primitive economics is to understand the real nature of institutions in the present, to grasp their interrelations, the motives which underlie them, and their fundamental rôle in the complex social mechanism as it works before our eyes.

THE FUNCTIONAL STUDY OF ECONOMIC INSTITUTIONS

Studies of this character have been made in recent years by a number of anthropologists, in particular by Professor Bronislaw Malinowski. By his analyses of the complex conditions of native life, by his indication of the many vital problems which confront the theorist, and by the stimulus which he has given towards their solution, he has laid a permanent foundation for future research in primitive economics. The work of Professor A. R. Radcliffe-Brown and of Professor R. Thurnwald—that of the former, perhaps, being less concerned with specifically economic questions—has also contributed in most distinct fashion to the advancement of our science. Their conclusions carry peculiar weight

¹ Adequate criticism of the general *kulturhistorische Methode* is given by B. Malinowski, "Anthropology," *Encyc. Brit.*, 1926; R. H. Lowie, "Social Anthropology," *ibid.*; A. A. Goldenweiser, *Early Civilisation*, 301-324; R. Thurnwald, article "Kulturkreise," in M. Ebert's *Reallexikon der Vorgeschichte*, 1926, etc.

since they combine extensive field-work with an adequate theoretical approach. In their investigation the endeavour is to understand the fundamental nature of economic activity and the driving forces behind it; to grasp the relation of man's economy to the other aspects of his life in society, such as religion, magic, kinship organisation and law. The method of trying to establish chronological sequences is discarded, and the facts are examined, not for what they reveal of a problematical past, but for their present value, for the rôle they play in the existing economic scheme. The method, in short, may be termed one of functional correlation, though such a description may be liable to obscure its essential clarity and simplicity. The root of the matter lies in the fact that it is by consideration of what a thing *does* that one is likely to best understand what it *is*. The utility of this principle of definition has been sufficiently well demonstrated in the natural sciences to need no further justification here.¹

With this method a number of American anthropologists, such as R. H. Lowie, Clark Wissler and A. A. Goldenweiser, are in sympathy—though their attention has been devoted only incidentally to economic problems—as well as the French sociologist, M. Marcel Mauss.² Indeed, in so far as it insists upon the functional study of institutions, the work of Emile Durkheim and his colleagues of *L'Année Sociologique* must be regarded as the direct forerunner of that accomplished on the lines of the present method. The writings of Max Schmidt of Berlin, though somewhat arid in point of theory, are also oriented towards this mode of treatment. On a less ambitious scale the descriptive work of some writers of a few years ago, as that of Hellmuth Panckow, F. Somló, Sartorius von Waltershausen, Waclaw Brun and A. Knabenhans is an attempt to study the essential realities of the economic life of primitive folk. Useful analyses of economic institutions have also been made in monographs of more recent date, as those of

¹ Analyses of economic conditions on these lines have been made by B. Malinowski, "Economic Aspect of the Intichiuma Ceremonies," *Festskrift tillägnad Edvard Westermarck*, 1912; "Primitive Economics of the Trobriand Islanders," *Economic Journal*, March, 1921; *Argonauts of the Western Pacific*, 1922; *Crime and Custom in Savage Society*, 1926; R. Thurnwald, *Forschungen auf den Salomon-Inseln und dem Bismarck-Archipel*, Bd. iii, 1912; *Die Gemeinde der Banaro*, 1921, "Die Gestaltung der Wirtschaftsentwicklung aus ihren Anfängen heraus," *Erinnerungsgabe für Max Weber*, 1923, i, 271-333; A. Radcliffe-Brown, *Andaman Islanders*, 1922. v. Also R. Firth, "Economic Psychology of the Maori," *Journal Royal Anthropol. Inst.*, lv, 1925; "Some Features of Primitive Industry," *Economic Journal* (Econ. Hist., No. 1), Jan., 1926. For the express conception of the functional method in its present form see especially the article of Dr. Malinowski, "Anthropology," *Encyc. Brit.*, 1926.

² See especially his "Essai sur le Don," *L'Année Sociologique*, 1925, a stimulating monograph on the gift exchange.

Miss E. Hoyt on primitive trade, W. E. Armstrong on some forms of Melanesian exchange, R. F. Barton on native industry in the Philippines, Gunnar Landtmann on the economic magic of the Papuans of Kiwai and R. Maunier on co-operative labour among the Berbers. The work of the best modern economic historians is also of a functional type.

In studies of this nature the object is to examine the phenomenon against its general economic and social background. The economic side of life is viewed as a complex set of activities, rooted ultimately in the instinctive needs characteristic of every human animal, but moulded according to the organisation and incentives, traditional rules and religious beliefs current in the society, utilising a body of material culture and a system of technique to master the physical environment and turn it to man's account. Within this economic framework, each implement, each activity, each feature of organisation has its place, and can only be fully understood in relation to this milieu. The institution of the gift exchange, for example, exists not in virtue of being a transition-form from gift-making to trade, but as a standardised mode of action maintained in correspondence to some real combination of immediate social circumstances—ideas of rank, prestige, liberality and the fulfilment of obligation. It is then the study of the function of an object, that is, its relation to other items of culture, that is the primary task of economic anthropology.

The utility of a scientific method can best be judged by considering the problems which it endeavours to solve. Recent work in primitive economics of the type indicated above has been concerned with such questions as the factors which give weight to leadership in production; the binding forces of co-operation; the social stimuli to work; the nature of economic reward; the action of the principle of reciprocity in exchange; the place of magic in economic life; the influence of wealth upon social organisation, and the relation of technical equipment to other aspects of the economic system.

It needs but a glance to become aware that such problems are concerned with vital issues, that the investigator is grappling with the realities which lie at the foundation of native economic life. There is no need to emphasise the value of such study. It may be pointed out, however, that this type of research, in addition to being of interest to the economic historian, as tending to throw light on the nature of less developed forms of institutions, has also a practical application. An adequate knowledge of the

economic organisation of a native people is essential before one can govern them, trade with them or exploit them for labour, with any degree of success. In these days, when the long fingers of commerce and Imperial dominion reach out across the world, the study of primitive economics is of distinct assistance in understanding native races, securing their co-operation, and preserving them from the worst effects of contact with white civilisation.

The Contemporary Background of Hobbes' "State of Nature"

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THE isolation of a thinker from his environment is like a mirage in a desert. He either looms too large or fades into the distance. Never can he be brought into real contact with the observer, for one is on the earth, and the other but an hallucination. From the moment Thomas Hobbes began writing he suggested to his readers that he was of a different mould from themselves. Within his own lifetime his works were regarded as the epitome of all that was anti-social, anti-moral, anti-religious.¹ "Hobbesism" became a term expressive of complete depravation and licentiousness, and was so used well into the 18th century.² Recent writers on Hobbes have resurrected the horror with which contemporaries clothed the works of this great thinker. They are shocked at views which by isolation have assumed unreal proportions. Hobbes' conception of human nature is one of the chief ideas to rouse their disapproval.³ Stripped of its contemporary background, it stands out in rude proportions. Replace it in its natural surroundings and a sense of perspective is immediately restored.

Whilst Hobbes' mother, frightened at the approach of the Armada, brought forth her celebrated offspring with his twin-brother Fear,⁴ Arminius in Amsterdam was leading the reaction

¹ Archbishop Bramhall began the attack on Hobbes as early as 1645, in his *Discourse of Liberty and Necessity*. Works of Archbishop Bramhall, iv. (Library of Anglo-Catholic Theology); in 1657, Lord Saye and Sele writing to Lord Wharton, mentions Hobbes as an exponent of the doctrine of "might is right," and classes him amongst pirates, thieves and atheists. See "A Letter from Lord Saye and Sele to Lord Wharton," Dec. 29th, 1657, printed by C. H. Firth, *Eng. Hist. Rev.*, x, 106; cf. Thomas Tenison, *The Creed of Mr. Hobbes examined*, 1670; John Eachard, *Mr. Hobbs' State of Nature Considered*, 1672; Edward, Earl of Clarendon, *A Brief View and Survey of the Dangerous and pernicious Errors to Church and State, in Mr Hobbes's book, entitled Leviathan*, 1676; R. Cumberland, *De Legibus Naturae Disquisitio Philosophica*, 1672.

² Leslie Stephen, *Hobbes* (English Men of Letters), p. 68; *Dict. Nat. Biog.*, ix, 936.

³ Leslie Stephen, *Hobbes*, p. 139; G. P. Gooch, *Political Thought from Bacon to Halifax* (Home University Library), p. 50; Paul Janet, *Histoire de la Science Politique*, ii, 180.

⁴ F. Tönnies, *Thomas Hobbes der Mann und der Denker*, p. 3.

to Calvinism¹ that wrought such a change in the conception of human nature. Calvinism had stood as the strongest bulwark against the rising tide of unrest and scepticism which had been occasioned by the Renaissance and the Reformation. Both these movements strongly emphasised the idea of individualism, which had a disruptive effect on society. The chaotic events that took place in France, Germany and the Netherlands in the 16th century amply illustrated how easily and successfully political rebellion could justify itself as a struggle for civil and religious liberty. A reaction against a conception of liberty that seemed little more than licentiousness was bound to occur.

The chief enemy to stability appeared to be the undue exaltation of human nature. The basis of human society and institutions had been recognised as religious throughout the Middle Ages, with few exceptions. Government existed for the specific purpose of restraining the sinfulness of man. Its chief function, divinely ordained, was the administration of justice, which was almost universally held to mean the rewarding of the good and the punishing of the bad. Civil society was thus closely bound up with religion. The civil sword was to be wielded in the maintenance of justice, and justice had essentially a religious meaning. The conflicts which greatly influenced thought in the Middle Ages revealed constantly the significance of this dependence of the secular body upon religious decisions. By its very nature the state was forced to take cognisance of religion. It had either to accept the ecclesiastical body as its dictator, or by claiming for itself the right to interpret the meaning of justice, invest itself increasingly with religious attributes, and thus be able to reject ecclesiastical control. When Luther defied the papal authority he suggested a new interpreter for the meaning of justice. His action² was equivalent to declaring that government would have to reckon with the decisions of individuals over questions of good and evil in order to carry out its supreme function, the administration of justice. He appeared to be substituting for bodies universally recognised as instituted by God to be interpreters of law, the individual. He seemed to be declaring that a human being could and must be the final authority in all matters, even when in direct conflict with a divine institution.³ In this, Luther was

¹ A. W. Harrison, *The Beginnings of Arminianism*, p. 23.

² Luther's action created much stir and was a signal for outbreak amongst a multiplicity of forces quite outside his control. J. W. Allen, *The Political Conceptions of Luther* (Tudor Studies, ed. R. W. Seton-Watson), p. 90.

³ Luther asserted: "This power the Church certainly has: that she can distinguish the Word of God from the words of men." But the difficulty was to say what and where the Church was, as the papal church was not the true church.

merely repeating in religious and political terms the ideas implicit in the Renaissance. He was emphasising the value and power of human nature.

Luther had not at first perceived the implications contained in his exaltation of the individual. The Peasants' Revolt in Germany soon opened his eyes to the interpretation that might be placed upon his words,¹ and Luther hastened to return to the conservative doctrine of the absolute authority of the state over the individual both in religious and civil matters. What happened to Luther was typical of the rest of Europe. Whenever the individual pleaded for religious liberty, the identity of religious liberty with political licentiousness was so accepted, that everywhere conservatism followed close upon the heels of the new doctrine.

The main objective was naturally where the danger was felt to be the greatest. The vigour of Luther's actions and preaching was expressive of the exuberance of Renaissance artists and the spirit of discovery which had but recently doubled the world's boundaries. Human nature seemed possessed of infinite potentialities. The conservatives hastened to emphasise with increasing vigour the well-known doctrine of the sinfulness of man. All parties regardless of their differing creeds and forms united in declaring that man was incapable of attaining to anything of value by his own unaided efforts.² Help from a divine source was an absolute necessity to supply the deficiencies inherent in his nature. The catholics emphasised the need of grace and the efficiency of the church with its sacramental mysteries, in conveying grace to the individual sinner. The protestants in Calvinism³ reached a far more complete negation of individualism.

The doctrine of predestination was the answer of Calvinists to

J. W. Allen, *The Political Conceptions of Luther*, p. 91. Luther, in his famous sentence "Every man is a priest," suggests that the individual members of the church had authority rather than the body as a whole.

¹ A. W. Harrison, *The Beginnings of Arminianism*, p. 4.

² Luther asserted in 1525 that "Christians are not led by free will, but by the Spirit of God: and to be led is not to lead, but to be impelled as a saw or an axe is impelled by a carpenter." Calvin later described the impotence of man more fully in his *Institutes*. "Let it stand, therefore, as an indubitable truth, which no engines can shake, that the mind of man is so entirely alienated from the righteousness of God that he cannot conceive, desire or design anything but what is wicked, distorted, foul, impure, and iniquitous; that his heart is so thoroughly envenomed by sin that it can breathe out nothing but corruption and rottenness; that if some men occasionally make a show of goodness, their mind is ever interwoven with hypocrisy and deceit, their soul inwardly bound with the fetters of wickedness." Quoted by A. W. Harrison, in *The Beginnings of Arminianism*, pp. 8-9.

³ A. W. Harrison points out the essentially practical nature of Calvinistic theology, and adds as a conclusion, "Calvin was the exponent of an authority as rigid as the ecclesiasticism of the mediæval Church. He began with the sovereignty of God and worked downwards."

the increasing demand for individual liberty of action in religious and political matters which characterised the 16th century on the Continent and the 17th century in England. Calvin had enunciated the doctrine in a modified form in the middle of the 16th century. By the end of the century, under the stress of the Arminian controversy,¹ which raised not only theological questions but also the political issue of toleration, the doctrine developed and amplified. The concept of God as omnipotent creator of the world was common to all systems of Christian theology. The Dutch Calvinists accepted the doctrine and defined omnipotence in such a way as to reduce man to little more than a cipher in the universe. God had created the universe. He also governed it by a wonderful system of law which controlled every sphere of activity. There was the law of the heavens and the stars; the law of nature that regulated all the world of beasts and plants. For man specifically there was the moral law revealed beyond doubt in the word of God, which was the written word of the scriptures, both of the Old and New Testaments. In this word could be found every regulation necessary for life. Even minute details of conduct were there. In fact, God had pre-ordained every activity of man's life, both political and religious, and man's function was merely to follow automatically in the predestined groove. Any form of government was bound to be theocratic and absolute, as it was impossible to conceive that the laws which bound society together could emanate from any other source than the written word of God, wherein all rules necessary to the well-being of man were contained. To assert that the written word was deficient in any rule, was to assert that either God was negligent of man's welfare, or He was impotent in a certain sphere. In either case such an accusation was blasphemous. By emphasizing and enlarging on the omnipotence of the deity, Calvinists hoped to eliminate the right of any man to rebel against the establishment of a theocratic absolutism in which the word of God, as interpreted by the elders prescribed in that word, reigned supreme. These hopes were doomed to disappointment.

The problem of sin introduced an element of chaos in an otherwise finely ordered universe. The doctrine of predestination dealt with this difficulty in a summary fashion. God had pre-ordained some men to salvation and the rest to damnation. To

¹ The Arminian controversy was merely the outcome of several objections that had already been made to Calvinism. For an exhaustive study of this question, see *The Beginnings of Arminianism*.

cavil¹ at the justice of God in this decision was not the business of man, for what right had the clay to query its fashioning by the potter? Given that humanity was divided into the two groups of saved and damned, the Calvinists found an easy solution to the question of political obedience. The elect, having been chosen by God, were indisputably under God's moral law; and in that law it was obvious that aristocratic government, by a system of elders, was prescribed. Once admit that one was a Christian, and one inevitably came under the discipline of the Calvinistic church-state, against which rebellion was both sin and crime.

Whilst Hobbes was showing signs of precocity in Malmesbury, Arminius in Holland was engaged upon the great controversy over freewill and predestination, wherein he revealed the inherent weakness of the Calvinistic position. The discussion was apparently theological; but the close alliance, and in the case of the Calvinists the identity, of theology and politics, made the controversy of widespread interest.² The problems raised, and the conclusions arrived at, were destined to have a great influence on political thought in England, especially on the observant young man of Malmesbury.

Fundamentally, the controversy was concerned with the old question of the nature of man, though the theological terminology tended to obscure this issue. The Calvinists' doctrine that men were predestined to either heaven or hell,³ created a moral revolt in the mind of Arminius.⁴ He vigorously pointed out the reason. If men were pre-destined to damnation and in consequence acted wickedly, could they then be held responsible for the evil, which, through no fault of their own they were bound to commit? Was this not tantamount to declaring that God as the author of everything, was necessarily the source of evil as well as good?⁵ The

¹ Calvin saw and tried to meet the grave charge of the injustice of God's decree of damnation against men who were predestined by the divine will to sin. "Here the most loquacious tongues must be dumb. The decree is, I admit, dreadful; and yet it is impossible to deny that God foreknew what the end of man was to be before He made him, and foreknew because He had^{so} ordained by His decree," quoted from the *Institutes* by A. W. Harrison, *The Beginnings of Arminianism*, p. 10.

² *The Beginnings of Arminianism*, p. 83.

³ In 1574, the Dutch Calvinists definitely committed themselves to the doctrine of predestination, though in a modified form. *The Beginnings of Arminianism*, p. 13.

⁴ Arminius was called upon to defend the signed tenets of Dutch Calvinistic theology touching the question of predestination, and in reading his opponent's works, found he was in complete agreement with them. *Ibid.*, p. 25.

⁵ Arminius was terribly distressed at the extremes to which some of the Calvinists carried their arguments. He briefly recapitulated their point of view in order to refute it: "In the first moment or point of time, God willed to reprobate some rational creatures; that is destined them to damnation. In the second moment, because they could not be damned while non-existent, He determined

Calvinists, except for a few extremists, were shocked and indignant at such blasphemy. They pointed out¹ that God's decree of damnation was passed against some men owing to the evil of their nature. All men were essentially evil, and the marvel was rather that any should be saved than that some should be damned as all deserved to be. Salvation was purely the result of God's own beneficent nature and depended entirely on the caprice of the deity, for there was nothing in man to warrant such a display of graciousness. They implied that man, in his natural state, was not the same as the rest of the brute creation, but something worse. The fact that he was possessed of a soul whose source was divine, made his domination by his natural instincts a degradation. They cited the historical event of the fall of man in defence of their arguments. Man was created good, but he had at a specific moment in time forfeited all potentiality to good by his disobedience to God. He had then become unregenerate and abandoned to the dictates of nature. Life under those conditions in a state of nature was subject to all manner of evil, and the end was death, for the wages of sin are death. Man was dead in sin, until God of His stupendous pity condescended to save some few out of the mass of those worthy a hundredfold of eternal damnation. The elect then came into being. The doctrine of predestination was not an impingement on the goodness of God, but was a revelation of the graciousness of the Father of all mankind.

Arminius replied to these arguments by pointing out their irrelevance. It was beside the point to insist that God's actions were justified by the evil of man's nature. The real issue lay behind. If God had predestined man's course in every sphere, was not God responsible for the very evil nature which He so terribly condemned? The controversy narrowed to a discussion on the nature of man: how far he might be capable of acting

to create them in order that He might have creatures whom He could damn. In the third moment, because He must damn them justly it was necessary for them to sin and become wicked; but they could not sin unless they were created upright. He therefore determined to create them upright, to lay down a law for them, and ordained that they should sin and become wicked, in order that He might in this way attain the end of creation, that is to carry out their reprobation in damning them for his glory. In this process, I say, they ascribe far baser things to God than if they should simply say He created some creatures in order to damn them." *Ibid.*, p. 62.

¹ According to their confession of 1574, they held to the following belief: "We believe that when the whole offspring of Adam had fallen in perdition and ruin by the sin of the first man, God manifested Himself to be (what He is in reality) merciful and righteous. Merciful, by delivering and keeping from that perdition those whom in His eternal and unchangeable counsel He has chosen and elected of his own pure goodness in Jesus Christ our Saviour without any regard to their works. Just, by leaving the rest in the ruin and destruction into which they had plunged themselves." *Ibid.*, p. 13.

freely, how far he depended on God for motive power. Arminius declared openly for the Catholic doctrine of freewill, which made man responsible for all his actions and gave him some degree of merit in the performance of good.

The whole trend of Protestant doctrine negated the idea of man possessing merit,¹ and the Calvinists driven by force of argument, defined their beliefs on the subject of man's nature ever more minutely. In these definitions the Calvinists arrived at conclusions which Hobbes set out later in his philosophy of science and politics. The theologians wavered between two points of view: an absolute denial of freewill on the one hand, on the other, a limited measure of freewill. In the first case the argument was simple. The presence of an omnipotent God prohibited any possibility of action originating from any other source but Himself, and the necessary conclusion, as asserted by a few extremists, was that God had created man evil in order to justify His decree of damnation against him. God thus became the author of sin. The second view was more interesting and had greater popularity. It was true that man had freewill at his creation, but the fall had deprived him of the capacity to do good. Cut off by the anger of God from all super-natural help, unregenerate man wandered about dominated by his natural instincts, and they implied that as he was no longer in communion with goodness, these instincts were evil. In a state of nature man had power to do only evil. In both these arguments one point was emphasised above all others: the production of good deeds by man was automatic. As all good flowed from God and He was omnipotent, when man was regenerated by the Holy Spirit, both the process of regeneration and its products, the fruits of the spirit, were attained without man's aid. The grace or power of God was an irresistible force,² and sufficient unto itself. Calvinism by emphasising the well-known doctrine of the omnipotence and omniscience of God had successfully obliterated the powers of the individual. All power and authority in social institutions flowed from God, the author of all activity. Church and state were completely identified, and the end of this church-state was, in consideration of its origin, to bring man to salvation. The will of God was irresistible. This will was clearly embodied in the institutions He had set up

¹ Luther's original outburst was against indulgences, a form of buying merit stored up by man for man. His spiritual experiences drove him to a doctrine of justification by faith not works, in opposition to the Catholic doctrine of the merit of good works. This doctrine of justification by faith was one of the most fundamental in Protestant thought.

² *The Beginnings of Arminianism*, p. 121.

with a definite purpose, and the only function left to the individual was obedience. To resist the authority of the church-state was tantamount to declaring openly that the soul was still in an unregenerate condition and had not succumbed to the irresistible force of the will of God. In all spheres religious and political man was an automaton.¹

Arminius denied this vigorously.² He asserted the ancient doctrine of freewill with an added emphasis. By claiming for himself and others the right to worship according to the dictates of the individual's conscience, he broke through one of the most fundamental concepts of his time. He differentiated between church and state, and was tacitly implying that the state did not necessarily depend on the church or on any religious decisions. It had an end distinct from a religious one, and therefore had no right to interfere with religion nor depend on religion as a stay. A theory of political obligation that rested upon religious grounds was useless. Such implications at the beginning of the seventeenth century were equivalent to a denial of all control. It was little wonder that Arminius and his followers were accused of subverting the state. They were extending the principle of freewill in the choice of good and evil from the theological sphere to the political one of freedom to worship and think on certain subjects as the individual was able.

The Arminians differed from the Catholics in their insistence on the power of the individual to arrive at conclusions on fundamental questions of faith. The Catholics in France at the end of the sixteenth century like the Calvinists in Holland, were in the throes of reactionary forces. Though they maintained the doctrine of freewill, yet they held that whilst man was free to act as he would, he had not the power to perform good actions,³ and

¹ Before Arminius definitely broke with the Calvinistic system of theology, he won credit for orthodoxy in the following statement, which seems closely akin to Hobbes' theory of the universe, "God is the cause of all these things, yet so that He acts through second causes, either with them or in them, He does not take away their own peculiar mode of acting with which they have been divinely endued; but He suffers them according to their own mode to produce their own effects, necessary things necessarily, contingent things contingently, free things freely." *The Beginnings of Arminianism*, p. 53.

² Arminius clearly believed in the power and grace of God, but he asserted co-operation between God and man, giving to the latter definite potentialities to good. He aptly illustrated the relation between grace and free will as follows: "A rich man bestows, on a poor and famishing beggar, alms by which he may be able to maintain himself and his family. Does it cease to be a pure gift because the beggar extends his hand to receive it?" *Ibid.*, p. 115.

³ Thomas Fitzherbert, a Catholic priest and Englishman who had lived in France since 1585, makes this the theme of a long tract, actually heading one of his chapters, "A Further Declaration of the infirmity of man, and his imbecility of wit, with a consideration of his natural bondage to Almighty God, and of his blindness and ignorance in his own affaires; and consequently of the necessity of

the church was the necessary medium through which the power to goodness flowed. By quite another group of thinkers human nature was considered vile and ineffective. Upon this foundation of the utter helplessness of man, Catholics and Calvinists alike erected their absolute theocracies.

The idea of the baseness of human nature which had achieved such prominence in the Arminian controversy in Holland, was well known in England in the sixteenth century prior to the date of the outbreak of the controversy. Catholic theology with its emphasis on the sinfulness of man was dominant before Elizabeth's reign. At the latter's accession, the necessity of expelling Catholic bishops and filling the vacancies with Protestants who had passed their exile in Geneva, definitely introduced Calvinistic ideas.¹ In a few years the new divines had formulated their doctrines in the 39 Articles, in which clearly set out was the doctrine of tainted human nature which was incapable of producing good of itself.² In more indefinite terms they also expressed their belief in the doctrine of predestination.³ The catechism, too, formulated in simpler language the doctrines of the Church, and was widely taught under Elizabeth. In it was an echo⁴ of the doctrine of original sin which could be amplified at the discretion of the teacher.

The universities in Elizabeth's reign rapidly became the centres of theological controversy. So great was the strife that towards the end of the reign it was becoming customary⁵ for anxious parents to substitute a tour on the Continent for a university training in order to prevent their children at an impressionable age from coming into contact with doctrines that might be subversive to the state and their own salvation. Hobbes himself in 1609 acted as tutor to one of these young men whose parents were eager to protect from theological wranglings.

Amongst other subjects of controversy at the universities, the nature of man was gradually gaining prominence, due in part to the repercussion of the Arminian controversy, in part to the de-

God's providence for his government and direction, as well in publike, as private matters." Thomas Fitzherbert, *The First Part of a Treatise concerning Policy, and Religion*, etc., 1606, ch. i, p. 10.

¹ Calvin's *Institutes* was translated into English in 1559, and went rapidly through many editions. *The Cambridge History of English Literature*, ed. A. W. Ward and A. R. Waller, vii, ch. xiii, p. 306.

² *The Book of Common Prayer* (standard edition). "Articles agreed upon by the Archbishops, etc., in the Convocation Holden at London in the year 1562," Art. ix, x.

³ *Ibid.*, Art. xvii.

⁴ *Ibid.*, The Catechism: "being by nature born in sin and the children of wrath."

⁵ *The Cambridge History of English Literature*, vii, ch. xiv, p. 340.

velopment of affairs at home. It is significant that in the lectures delivered by Andrewes at Cambridge from 1580 onwards on the subject of the Catechistical Doctrine, he should indicate that there was a certain type of people whom he called atheists, who definitely believed in a state of nature in which men were like beasts and incapable of living together in social groups. These atheists asserted, he says, that "There was a time when men wandered like beasts; after wandering they came into society; they ordained laws unto themselves to preserve their estate; those laws were not able to bridle them; by that means they invented that there was . . . 'a just eye' to see them even in secret, so that by this invention they might be afraid to do evil."¹ Nor did Andrewes disagree with this description of men wandering like beasts. His objection lay against describing the "just eye" as an invention of man. This would make religion the creation of law whereas "laws were not before religion, but on the contrary religion before laws."² Laws had to be made "to tame those brutish men which, like horses and mules, would not be tamed by religion."³ The discussion on the state of nature was further stimulated at Cambridge when Peter Baro⁴ in 1596 took up the cudgels in support of Arminius' doctrine. Arminius himself was engaged from 1596-8 in replying to Perkins⁵ of Cambridge on the subject of freewill and necessity, and the problems involved therein.

At Oxford Hobbes came into contact with the discussion on man's nature in the latter part of his academic career. One of the college divines called Leech⁶ in 1607 preached a sermon in which he adopted the Catholic point of view that though man had a measure of freewill, his nature was too vile and capricious⁷ to permit him to be the final authority in religious matters. He therefore asserted, as did the Catholics, that the Church was the only suitable body to play that part.

The sermon created a great sensation even outside the University.⁸ Its contents were not of purely academic interest.⁹

¹ Lancelot Andrewes, *Minor Works* (ed. The Library of Anglo-Catholic Theology): "A Pattern of Catechistical Doctrine," p. 23.

² *Ibid.* ³ *Ibid.* ⁴ *The Beginnings of Arminianism*, p. 32. ⁵ *Ibid.*, p. 36.

⁶ Humphrey Leech, *A Triumph of Truth*, 1609. Full details of the whole episode appear in this tract.

⁷ "We may seeke for the sense of the Scripture: but where? It must not be out of the stinking puddle of a private braine; but forthe of the treasuring memorie of the Church," *ibid.*, p. 46.

⁸ Dr. King, the Vice-Chancellor of the University who had been in London when Leech began creating a stir in Oxford, is supposed to have commented graphically on the widespread interest taken in the subject, "for the shameful rumour of your doctrine hath filled my eares wheresoever I came, in London, in Lambeth, or elsewhere: your doctrine was still laid in my dish." *Ibid.*, p. 58.

⁹ Leech described his examination by the doctors at Oxford when some funda-

The apparently harmless theological discussion on the freewill of man and the authority of the Church revolved about the grave political issues, which came definitely to light in James I's reign. and were destined¹ to become increasingly important in the years preceding the Civil War.

Circumstances in England at the beginning of the seventeenth century made the question of authority in religious matters one of supreme importance to the state. The identity of church and state had been made under Henry VIII as a result of the king's rejection of papal control. The significance of this identity was given point under Elizabeth. In the last two decades of her reign there was a movement towards religious reform which came in the first place from men like Thomas Cartwright, who were imbued with Calvinistic theology and advocated a presbyterian form of church government. The reformers rejected the established church system on the grounds that episcopacy was not the form of church government prescribed in the word of God.² As it was not ordained by God, it must have been established by man. At the back of their arguments reappeared the old assertion so well known to Englishmen through the 39 Articles and the Catechism, that man himself was too evil to produce anything good or orderly. Worship, which was the highest act in which man strove to please God, could only be acceptable if ordained by God, from Whom alone all goodness and order flowed. To add or detract one syllable from the laws for church government prescribed by God in His word, was to tamper with God's purpose. This was blasphemy. On these grounds the presbyterian opposition rejected Elizabeth's ecclesiastical settlement. In their argu-

mental questions were bandied to and fro. Leech asked of one of his examiners what authority could decide faith. He was astonished, and Leech reports his answer: "Why (said he), *what other ground of faith than the pure word of God?* I demanded then: who shall interpret this word? He replied: *the spirit*. What spirit, good Sir? *The Spirit of God* only which private men thinke they have?" On this reply his opponent suggested that Leech might be unsound also on the subject of the king's supremacy. *Ibid.*, p. 68.

¹ James I himself showed, in his letter to Dr. Abbot on the Canons of 1606, how closely connected he considered theological concepts and political problems. He declared that he had called his clergy together "to give your judgments how far a Christian and a protestant king may concur to assist his neighbours to shake off their obedience to their own sovereign upon the account of oppression, tyranny, or what else you like to name it." He disliked their answer and reproved them sharply in the significant words, "and whatever aversion you may profess against God's being the author of sin, you have stumbled upon the threshold of that opinion, in saying upon the matter that even tyranny is God's authority, and should be revered as such." *The Convocation Book of 1606, commonly called Bishop Overall's Convocation Book* (ed. The Library of Anglo-Catholic Theology), preface, p. 7.

² An exhaustive study of this period and subject is made by Roland Usher in *The Reconstruction of the Church of England*, vol. i.

ments they revealed their conception of man in a state of nature, fundamentally bad and incapable, and therefore, wherever there were social institutions a God-given rule was necessary to supply human deficiency.

The Elizabethan government met these arguments by rejecting the assumption that man was incapable of organising anything himself.¹ It declared that in matters not essential to salvation, the church had discretionary powers and could adopt the form of organisation most expedient to the times. As church and state were identified, these discretionary powers were naturally vested in the crown, so that any rejection of the established system was, *ipso facto*, a rejection of royal authority, and as all governments were established by God rebellion was doubly a sin in being against the head of the church and the divinely ordained government. Though all authority flowed from God, the author of all power, yet the form of government was left to each nation-state to be decided by its own customs and the law of the land. The Elizabethan government hoped to annul the validity of its opponents' argument by which the latter claimed the right to reject the established system by the authority of the word of God in ecclesiastical matters, by declaring that all matters of church organisation were things indifferent to salvation, and therefore not prescribed minutely in the word of God, where only general principles were to be found. Matters of detail were left to the discretion of the secular authority and so lost their ecclesiastical character. The basis of this argument was the assumption that man was left with a certain measure of liberty within a prescribed sphere, and therein he had power to organise without the necessity of direct divine help. Under Elizabeth the theological concepts of God's omnipotence and man's impotence were already becoming debatable ground in relation to politics, as the supremacy of the crown in religious matters was threatened by the assertion that man could not legislate in the ecclesiastical sphere.

Outside politics and the universities the discussion on the nature of man was becoming general. Marlowe gave dramatic strength to the Renaissance idea of man in his hero Faustus, who regarded

¹ The preface to Richard Hooker's *Of the Laws of Ecclesiastical Polity* sums up tersely the position of the Elizabethan government and the attitude of the anti-puritan party. Hooker's brilliant description of the puritans throws some light on the extremes to which their belief in the corruptness of man's nature had driven them, "Every word otherwise than severely and sadly uttered seemed to pierce like a sword through them. If any man were pleasant, their manner was presently with deep sighs to repeat those words of our Saviour Christ, 'Woe be to you which now laugh, for ye shall lament.'" *Of the Laws of Ecclesiastical Polity* (ed. Ronald Bayne, Everyman's Library), bks i-iv, p. 134.

the whole world as his dominion from which he should secure knowledge and power.¹ Simultaneously the austerity of the puritans in their everyday life roused opposition in the general public. Their condemnation of all games and amusements brought upon them the accusation of making all things in life seem bad.² On every side Elizabethans were becoming interested in the problem of the nature of man, on which there were already widely differing opinions.

The clash of these opinions which appeared so alarmingly in relation to politics, was somewhat successfully avoided by Elizabeth. She insisted that she was merely maintaining the *status quo* in ecclesiastical matters, and denied any ulterior religious motive in a policy obviously based upon political expediency. James I threw aside this subterfuge, and stating that his intentions were religious,³ demonstrated his ideas by entering upon an active policy of ecclesiastical reform. The storm that had been gathering under Elizabeth burst in full force upon James.

The centre of the controversy was the question of the final authority in ecclesiastical matters. Beneath this raged the difference of opinions on man's nature and the kind of authority that would be binding upon such a nature.

The puritan opposition declared as before that any regulation of worship must proceed from God alone. "Christ Jesus, hath not left his Kirke which is his body, maimed, or imperfect, destitute of right government, Laws and officers . . . therefore let no man thinke that Christ hath left his Kirke to be ruled at the lust and arbitrement of man."⁴ The king's supremacy in the church was strictly limited by the word of God, on the grounds that rites and ceremonies could be prescribed by the word of God alone, and were unchangeable by man.⁵ The puritans in view of these arguments, pleaded for the right to worship according to the rules laid down in the scriptures.

It was impossible for James to comply to either the plea for toleration or the views on his supremacy as set out by the opposition. Church and state were so closely identified that any limita-

¹ I. C. Marlowe, *Dr. Faustus*, Act 1, Sc. 1: "How am I glutted with conceit of things."

² *A Dialogue concerning the strife of our Church*. Anon, 1584.

³ The king's function is "To be the Minister of God—And finally, As a good Pastour, to go out and in before his people." The king swears in his coronation oath "to maintain Religion." James I, *The Trew Law of Free Monarchies* (Works, ed. McIlwain), p. 55.

⁴ *A Protestation offered to the Parliament at St. Johnstons*. 1606. Anon (no pagination).

⁵ *A Protestation of the Kings Supremacie Made in the name of the Afflicted Ministers*, etc., 1605, p. 19. Cf. *English Puritanism*, etc., 1605, pp. 1-4.

tions set upon the royal supremacy in the church would apply to the authority of the king in the state. This issue was clearly revealed in Fuller's case in 1607.¹ Fuller, a lawyer advocating the Puritan cause, was charged with serious imputations against the king's royal prerogative, when he attacked the authority of the High Commission Court. The same point of view was set out in 1609 by a pamphleteer called Wilkes who showed that the resistance of royal authority in the ecclesiastical sphere would be the downfall of all society. Religion and the laws of the commonwealth were closely woven together.² This was due to the fact of man's evil nature. "Man's will is by *nature* averse from all obedience to the sacred Lawes of his *nature*, and in the depravation of his minde, would imploye all both *witte* and *valour*, to the extremities of evill."³ God had, therefore, to provide laws "like so many instructive bridles to restraints the headlong course of *selfe-will*, alwayes in love with her owne counsels."⁴ These laws ruled church and state alike, for the latter were two aspects of the one thing, the commonwealth. To resist the laws and to reject the supremacy of the king which was instituted by God to enforce these laws, was to sin against God, and to open the flood-gates of disorder. Toleration of any other form of church government than that prescribed by the king was impossible, because it meant the recognition of other interpreters of the law of God in the church-state. "If it should be lawful for every man to cast the frame of religion in the *mould* of their owne fancies, the *scruples* and *inconveniencies* would be no lesse in the Church, than the suites at the Common lawe, in number infinite."⁵ Where then would be "that *supremacie* which God hath impropriate to the *Scepter* of *Princes*, as their peculiar right?"⁶ Such was the fear of disorder engendered in minds which saw in man a creature which had to be bridled "like the horse and the mule."⁷ The government felt that to control men, they must base their authority firmly on the word of God, which was the will of the omnipotent creator, who alone had power to dominate this evil nature. As in Holland and France, so in England the state, to prevent disorder based on religious scruples, was rapidly becoming a theocracy which insisted upon the omnipotence of God and the corollary, the complete degradation and the incapacity of man.

There was another factor which accentuated the discussion on man's nature. The claim of the church of England bishops to

¹ W. S. Holdsworth, *A History of English Law*, v, 429.

² Wm. Wilkes, *A Second Memento to Magistrates*, etc., 1609, p. 16.

³ *Ibid.*, p. 31.

⁴ *Ibid.*

⁵ *Ibid.*, p. 39.

⁶ *Ibid.*, p. 43.

⁷ Bishop Andrewes, *Catechistical Doctrine* (minor works), p. 198.

apostolic succession cast upon them the slur that they were merely becoming popelings. At a time when the gunpowder plot and the machinations of the Jesuits were still fresh in men's minds, when ecclesiastical control by the Court of High Commission was a reality, this was a serious charge, and many pamphlets were written for and against the bishops comparing their claims to those of Rome. Incidentally amongst these discussions the doctrines of the church of Rome were naturally called into question, and the difference between pre-destination and freewill was pointed out. One of these great pamphlet wars was carried on by Abbot the Master of Balliol, and a Catholic called Bishop. Abbot, in discussing freewill, showed significantly the close connection between theological controversies on the state of nature, the origin of man's sinfulness and political society. Writing in 1609, he says: "We must understand that God, though in the beginning He suffered man to fall away from him and thereby to deface in himselfe the glorious image of God according to which he was created, yet vouchsafed of his goodnesse so far to uphold in him both light of understanding and touch of conscience as might serve to direct him in some sort for morall and civill life for the preservation and maintenance of society amongst men. This direction of our life, God increaseth and strengtheneth much by education and instruction, more by knowledge and understanding of true religion, most by the grace of spiritual regeneration. Were it not that God in mercy had set these bounds and bankes to restraine and hold in the rage and fury of unlawfull and wicked lust, the fall of man had carried him into all importunity and extremity of wickednesse and abomination, and the state of men had beene much worse than the state of bruit beasts."¹

These were the ideas expounded by a prominent member of Hobbes' own university a year after he had left its precincts. Abbot, though clinging to a doctrine of predestination, yet admitted a measure of freewill as a necessity to social life. "We deny not but that God hath left in man, even in the wicked, some power of freewill, else in vaine were all lawes and admonitions, neither could there continue any society amongst men."² What he was denying was "Popish freewill, which is a faculty and power of nature, whereby by an act of oure owne, which is not of God, we apply to ourselves the grace of God, and adjoyne ourselves to worke with it."³ "Men cannot will till God work in them to will,

¹ R. Abbot, *The Third Part of the Defence of the Reformed Catholike*, etc., 1609, p. 68. ² R. Abbot, *The True Ancient Roman Catholike*, etc., 1611, p. 138.

³ *Ibid.*, p. 318.

neither can they have any power to doe well, untill they have the will."¹ This they gain through the regeneration of their souls, through the medium of God's help, and a divine institution is thus necessary if there is to be any sort of life not brutish.²

These discussions on freewill and predestination and their connection with social institutions and the existing machinery of English political life, were stimulated by the influx of Arminian ideas. James himself took a deep interest in the controversy abroad, and ordered two English bishops to attend the final conference at Dort, where Calvinism achieved a momentary triumph. In 1612 there was founded in London³ the first General Arminian Baptist Church,⁴ which rapidly increased in membership.⁵ By the end of James' reign, the bishops and clergy in England were discussing eagerly the five points debated to the Synod;⁶ and by their adoption of the doctrine of freewill, which was already familiar to them in the practical world over the controversy about things indifferent and essential to salvation, were identifying themselves more than ever with Catholicism.

By the time Laud took over the ecclesiastical administration, the leading party in the church of England had gathered to itself arguments both from puritans and catholics. On the one hand, they adopted the catholic idea that man's sinfulness was so great that the church was necessary to supply deficiencies. On the other, they stressed the omnipotence of God and the origin of all society as divine, so that subjects were almost automatic machines whose only function was obedience. Anything proceeding from man was obnoxious. Laud went as far as the puritans in asserting that ceremonies were instituted⁷ in detail by God in His word.

¹ R. Abbot, *The True Ancient Roman Catholike*, etc., p. 138.

² "The further God goeth from him (i.e. man) so much the more betaketh himselfe to all most ungodly and reprobate courses." R. Abbot, *The Third Part of the Defence of the Reformed Catholike*, etc., 1609, p. 68.

³ H. M. Dexter, *The Congregationalism of the last three hundred years*, p. 329.

⁴ One of the articles of belief held by this church was adopted from the faith of John Smyth, the Se-baptist, and stated, "God created man with freedom of will, so that he had ability to choose the good and eschew the evil, or to choose the evil and refuse the good; and this freedom of will was a natural faculty or power, created by God in the soul of man. Original Sin is an idle term . . . as no man begetteth his child to gallows nor no potter maketh a pot to break it; so God doth not create or predestinate any man to destruction." Fred J. Powicke, *Henry Barrow, Separatist*, p. 216.

⁵ By 1626 there were Baptist churches in close connection with the London one, at Lincoln, Sarum, Coventry, and Tiverton. Robert Barclay, *The Inner Life of the Religious Societies of the Commonwealth*, pp. 72, 104.

⁶ R. Montague was the central spirit in this controversy in England. His tracts show the points at issue. Richard Montague, *A Gagg for the New Gospell? No: A New Gagg for an Old Goose*. 1624.

⁷ The Puritan point of view is uncompromisingly stated by John Canne, in 1635;

The idea of the omnipotence of God and its connection with politics was the theme enlarged upon by Manwaring in his sermon of 1627,¹ which Hobbes asserted contained similar ideas to those expressed by himself in 1640 in *Laws Natural and Politic*, a work which held the essentials of his philosophy. This sermon was preached by Manwaring to justify arbitrary taxation by the king. Using theological arguments as befitted the occasion, Manwaring depicted the omnipotence of God and the dependence of the creature man on his creator.² Kings were Gods on earth, and so subjects owed the same obedience to them and depended on them as man did on his Maker. The absolute and illimitable authority of the king over his subject followed naturally from this argument. The sermon created a great sensation. Its constitutional implications in connection with taxation and the arbitrary rule of the king, were too significant to be ignored, and Parliament demanded the apprehension of the preacher at its next meeting, on the grounds that such views were subversive to the well-being of the state.³

There was no doubt as the reign of Charles proceeded that the points raised in the Arminian controversy in Holland over freewill and predestination, with the underlying concepts of God's omnipotence and man's evil nature and impotence, had become inextricably entangled in the constitutional issues which were agitating practical politics. The cry for liberties of the subject raised in the Petition of Rights, and from that date growing louder in the country, could be and was interpreted as a direct denial of the omnipotence of God as represented in the person of the king. God, the author of all power and authority, in His representative the king, could not brook arguments from men whose only function was obedience. Men who were not dutifully obedient must be forced by fear not persuasion, to submit to authority; and it was openly proclaimed that the majority of men were so sinful, that force alone could control them.⁴

The connection of Hobbes' concept of the "state of nature"

"All worship devised by man is abhorred by the Lord, for he likes nothing but what he has appointed himself . . . God's worship must be according to his nature, heavenly, divine, and spiritual; but all devised worship is according to the nature and disposition of the deviser, foolish, carnal, vain," etc. John Canne, *Necessity of Separation*, etc. (ed. Hanserd Knollys Society).

¹ Roger Manwaring, *Religion and Allegiance*, etc., 1627, pp. 81-83.

² "Of all Relations, the first and most originall is that betwene the Creator, and the Creature; whereby that which is made depends upon the Maker thereof, both in Constitution and Preservation." *Religion and Allegiance*, p. 1.

³ S. R. Gardiner, *History of England*, vi, 237, 312.

⁴ Cf. Hobbes' idea of law being only binding when supported by force. Hobbes was accused of instituting the doctrine "might is right"; but it was prevalent long before he began writing.

with the ideas prevalent in his time is now self-evident. Hobbes started with a conception of God similar to the Calvinists. God was the omnipotent creator of all things, whose laws governed the whole universe. He was the cause of all motion.¹ Man, in relation to God, was an automaton like a watch,² set in motion by God. Men under this supreme authority were all equal and had similar passions and potentialities.

The catholics and Calvinists alike had insisted that the superimposition of a church-state was necessary to bring man into harmony with the law of God. Indeed, man was so sinful and impotent that without this divine aid, he was in a worse condition than a beast. Hobbes accepted the idea that the state taught man the elements of law and justice, and followed up the argument logically. Prior to the erection of the state, man had and could have no knowledge of justice. He was a creature dominated by his lusts and passions, which were quite uncontrollable as force alone could bridle such a creature, and force was not forthcoming without the state.

The theologians in depicting a similar state of nature had condemned it as one antagonistic to society and the laws of God. Hobbes, aware of this moral censure of man in his natural condition, pointed out at once that such an attitude was unwarranted. "The Desires and other passions of men, are in themselves no Sin. No more are the Actions, that proceed from those Passions, till they know a law that forbids them: which till Lawes be made they cannot know."³ Without the state peace, which was a consequence of law and order, was impossible. The condition of primitive life was one of perpetual war, and again Hobbes protested, as though aware of the prevailing bias, that it could not be condemned as evil. "The notions of Right and Wrong, Justice and Injustice, have there no place."⁴ He explains: "Where there is no common Power, there is no Law: where no Law, no Injustice. Force, and Fraud, are in warre the two Cardinall vertues. Justice and Injustice are none of the Faculties neither of the Body, nor Mind."⁵ If they were, they might be in a man that were alone in the world, as well as in his Senses, and Passions. They are qualities that relate to men in society, not in Solitude."⁶ In spite of these protestations against the moral con-

¹ Hobbes protests his opinion in a rhetorical question, "How then is God the first mover and cause of all local motion?" *The Questions concerning Liberty, Necessity, and Chance*, English Works, ed. W. Molesworth, vol. v, p. 11.

² *Leviathan*, p. 1.

³ *Ibid.*, p. 65.

⁴ *Ibid.*, p. 66.

⁵ Cf. *Liberty, Necessity, and Chance*, when Hobbes explains that all goodness flows from God, and without God man could not "will to goodness," much less produce good acts; p. 9.

⁶ *Leviathan*, p. 66.

demnation of man's impulses by the theologians, Hobbes showed in his own comment on the state of nature which was a result of man's unbridled lusts, that he was not free from the prevailing attitude. He described this state as an "ill Condition"¹ in which man could attain to nothing. In this time of war when every man was against every other man, "there is no place for Industry; No culture of the Earth; No Knowledge of the Earth; No Arts; No Letters; No Society; and which is worst of all, continuall feare, and danger of violent death; And the life of man, solitary, poore, nasty, brutish, and short."² Like Calvinists and Catholics, Hobbes was depicting the nature of man³ in such a form as would necessitate an absolute state with illimitable power over the individual. Hobbes was the great scientific thinker in the Calvinistic reaction against individualism.

If there were any doubt that Hobbes was closely following the prevailing theological concepts in his theory of the state of nature, a few facts in his life and writings show that he had taken a deep interest in the problems discussed at the Synod of Dort, and their connection with political issues in England. He had passed his college days at Oxford where the doctrine of freewill was agitating many of the leading thinkers in relation to its connection with Catholicism and the latter's suggestion of disloyalty. He moved in a circle of friends where religion was freely discussed. Amongst them was one who had adopted Unitarian beliefs,⁴ which were very much under discussion in the Arminian controversy. Another of his friends was Chillingworth, who was concerned with the problem of freedom of conscience and its relation to political authority. Hobbes himself indicated his connection with Manwaring's sermon. After the latter's apprehension by Parliament in 1640, owing to his sentiments on absolute government, Hobbes felt that his own life would be in danger as he held similar opinions and so fled to the Continent.

Apart from the fact that his life led him into close contact with men of affairs who were seriously interested in the constitutional problem of arbitrary government, and the theological arguments used in its support, Hobbes himself indicated that he considered that his opinions on the origin of government, and in fact the general principles of his philosophy which underlay this particular aspect, were in harmony with orthodox Christianity as defined by Calvinists.⁵ After the civil war, Hobbes entered upon a long

¹ *Leviathan*, p. 66.

² *Ibid.*, p. 64.

³ *Liberty, Necessity, and Chance*, p. 11.

⁴ Falkland.

⁵ Hobbes declared he was only following the ideas of St. Paul, Luther and Calvin in his conception of predestination. He claimed complete orthodoxy. He men-

controversy with Bishop Bramhall on the very questions which had been disputed at the Synod of Dort. In this they discussed free-will and predestination and the latter's close connection with social ethics. Hobbes pointed out that freewill was an erroneous non-Christian doctrine, which impuned the omnipotence and omniscience of God. He denied that such a view could be subversive of ethical values. Hobbes had been interested in this topic previous to his first published work on politics.¹ From the later controversy it is clear that the Calvinistic doctrine of the omnipotence of God and the impotence of man, had made a deep impression on Hobbes' mind. The Calvinists, like Hobbes, had been deeply affected by the scientific spirit which exalted law and saw in God the source of all law and the first cause of all motion, but the theologians put moral values to scientific principles, and Hobbes followed in their footsteps. His description of the state of nature and man's impulses is strongly suggestive of an implied moral condemnation, in spite of his protests to the contrary.

Hobbes' ideas, though perfectly orthodox at the beginning of the seventeenth century, were regarded after the civil war as outrageous. He who had seen the friction between king and parliament develop into civil war, who had witnessed the very foundations of society torn up by its roots and the whole country plunged into chaos, who was temperamentally afraid, wrote as an old man his philosophy of politics to meet the problems of a state of society which had passed. The time for rigidly absolutist theories of government was over. It was no longer necessary to lay the foundations of a secure state upon the basis of degenerate human nature. Hobbes in doing so laid himself open to the accusations of immorality and atheism, which were the comments of the new age on a philosophy whose assumptions were unfamiliar. Excited by the spur of scientific curiosity, aware of its strength to survive even the cataclysms of civil war, the new generation exulted in the sense of its own powers and saw in human nature, not the degeneracy of original sin, but the potentialities to good which made of man a being worthy and able to base the foundations of society upon his own unaided efforts.

tions the Arminian controversy in this connection. *Liberty, Necessity, and Chance*, p. 1.

¹ He had evidently been very much impressed by Manwaring's sermon dealing with this question in 1627. His famous conversation with the doctors of divinity in 1629 over the theological view of man's "senses" again shows how closely connected theology and politics were in Hobbes' mind.

Municipal Research Work in America

By WILLIAM A. ROBSON.

MANY people in England persist in clinging to the most obsolete ideas concerning the United States, and refuse to recognise the rapidity with which change is sometimes effected in that country. We admit that America is incredibly prosperous (we have not yet arrived at the stage of confessing that we find her prosperity not merely incredible, but also intolerable); and endeavour to seek consolation by admiring anew the comparative excellence of our political institutions. In order to stress this superiority, which is without doubt a real one in certain important respects, we emphasize the graft and corruption of American political life; we dwell on it lovingly, and talk as though the sole result of public expenditure in the States was to provide silver linings for private pockets. And at the same time we tend to ignore all the more promising developments of American public administration, such as those which have taken place in the field of education, for example, during the past ten or fifteen years.

Not only are there certain spheres of governmental activity in which American achievements are more considerable than those that have taken place in England, but one can also observe in America the formation and growth of certain agencies for research and investigation into public affairs which are likely to produce in the future even more striking results in political achievement than any that have already been attained, to say nothing of clearing up the existing corruption and inefficiency. In no department of public life is this more true than in Local Government.

One of the most significant documents which has come across the Atlantic for some time is a small pamphlet entitled "Twenty Years of Municipal Research," which was recently issued by the Government Research Conference. This pamphlet describes briefly the inception of the forty or fifty Municipal Research Bureaux which have been established in the United States during the past twenty years, and gives an account of their organisation and the type of work they are now carrying out.

The story is a remarkable one. Municipal research had its birth twenty years ago in the discussions of a small group of New

York citizens who were dissatisfied with the results obtained from successive administrations and who believed that the existing officials possessed neither sufficient freedom from daily duties nor the detached outlook required to work out schemes of improvement. The "new idea," as the authors call it, first saw the light of day in January, 1906, when a "Bureau of City Betterment" was set up in New York city with a staff of two persons, whose entire time was to be devoted to a study of municipal problems. In May, 1907, the organisation became the "Bureau of Municipal Research," and was incorporated with the following objects :

1. To promote efficient and economical Government.
2. To promote the adoption of scientific methods of accounting and reporting the details of municipal business with a view to facilitating the work of public officials.
3. To secure constructive publicity in matters pertaining to municipal problems.
4. To collect, to classify, to analyse, to correlate, to interpret and to publish facts regarding the administration of Municipal Government.

The Bureau met with instant support. Its small staff grew to nearly fifty and during the first six years of its existence it received over eight hundred and fifty thousand dollars by way of contributions. At first its activities were mainly concentrated on the reform of city finance in New York, but the organisation to-day undertakes activities which extend not merely far beyond the confines of finance, but also outside the territorial limits of New York. The Bureau now spends about £16,000 per annum in scientific enquiry. It has a group of experts in all the main branches of municipal administration, and it sends these experts to assist any local authority throughout the States which desires to avail itself of their services in the solution of local problems or the improvement of local administration. A very large number of cities have availed themselves of the unique experience and disinterested advice which is thus offered. In addition to this "field work" the Bureau runs a school for City Managers ; it publishes the best American journal on Municipal affairs, and undertakes from time to time extensive investigations into special problems, the results of which are, of course, published. The Bureau started life as a local civic reform agency ; it has become a national scientific and educational institution.

The New York Bureau is the leading institution of its kind, but

there are literally dozens of other Bureaux scattered over the Continent, each spending some tens of thousands of dollars a year, and manned by a staff of experts who possess a special interest in, and training for, municipal problems. The structure and constitution of the Bureaux vary greatly. Some have an independent existence and are financed by voluntary contributions from public-spirited citizens and business corporations interested in securing good city Government. In one case—that of the Rochester Bureau—the entire cost is defrayed by a single individual, Mr. George Eastman, but usually the subscribers number hundreds. Some of the bureaux are organised independently but are financed from what are known as Community Chest Funds, which usually consist of voluntary contributions given by citizens for the furtherance of civic purposes which could not be paid for out of local taxation. A third type of bureau is that which is operated as a department of a greater parent organisation, such as a Chamber of Commerce or a University. Lastly, there are the bureaux created by the local authority itself and financed from the public revenue. The Toledo Commission of Publicity and Efficiency is an example of this type of organisation.

The activities of all these research agencies vary no less widely than their constitutions, and it is obviously impossible to give an adequate account of them within the limits of this article. The Bureau of Philadelphia, for example, has, during the past five years, completed studies of the gas and water supply problems in that city, of the organisation of Local Government in Philadelphia, and of the relations between city and county authorities. It is now studying, *inter alia*, the Municipal Court and methods of city purchasing. In Detroit, one finds the Bureau acting as Secretariat to the Major's Traffic Committee and drafting model traffic ordinances for the city; supervising a survey of the Negro situation in Detroit (again in collaboration with the Local Authorities); and co-operating with the Purchasing Commissioner in the standardising of supplies and specifications, and with the General Manager of the Water Board in developing a system of unit costs on construction work. At St. Louis the Bureau has worked on a whole series of problems ranging from Budget reform to highway cleaning; at Cleveland the Bureau has been investigating tax evasion and municipal debt policy; at Des Moines, the outstanding accomplishment of the Municipal Research Bureau in 1922-23 was "the uncovering of city payroll padding" and the saving of many thousands of dollars squandered every year by this abuse. At Duluth the Bureau run by the Taxpayers

League surveyed the whole police department, and has been engaged in formulating a scheme of standard salary rates and conditions of service for the municipal civil service. Prison reform and mental deficiency are among the topics which have occupied the time of the Ohio Institute, while the Rochester Bureau has been making intensive studies of public markets and elementary education. At Milwaukee the needs of children have received special attention, not only in regard to schooling but also in regard to playgrounds and juvenile delinquency. The San Francisco Bureau, dominated no doubt by the problems arising out of the astounding bound forward of the Pacific coast of America, has been studying certain municipal aspects of the population problem.

And so on and so forth. It is not possible to do more than merely indicate in the most inadequate fashion the vast field of work which is being undertaken by these numerous agencies of expert investigation. The work varies, of course, in importance and in quality; but in the aggregate it presents an impressive body of systematic and directed effort.

It varies also in effectiveness: that is, in the influence exerted on the trend of practical affairs. But here in black and white are set down a number of definite accomplishments large enough to satisfy the most hard-headed "practical" man. For example, at Philadelphia the Bureau succeeded in effecting a reorganisation of the janitorial service at the Town Hall, which produced a saving of 30,000 dollars per annum; and an improvement in the gas supply which will save consumers two million dollars within the next decade. At Detroit the Bureau effected a saving in assessment procedure amounting to 60,000 dollars annually; at St. Louis the work of the Bureau has brought about huge savings in contract prices. The bureaux are, of course, nearly all unofficial bodies, and, as the author of the pamphlet observes, "In a final test they have no means of accomplishing their ends other than the force of public opinion. But this test is seldom necessary, for the bureaux are not fault-finding bodies. They do not go snooping about at random to see if they can uncover graft or inefficiency. In place of 'mud-throwing' the bureaux offer critical study and constructive suggestion. In practically every city they have been able to establish a reputation for fairness and have won the confidence and respect of public officers. Indeed, a great deal of the work is undertaken at the request of the officials themselves."

In any case the value of a movement such as this is not to be judged merely by results produced up to date. It is no doubt true

that the Bureaux have one and all fought shy of some of the most fundamental problems in American government, for no other reason perhaps than that those problems are too "political" and therefore too dangerous to be handled by any body whose most urgent need is to establish confidence in its own impartiality and integrity. But that is no more a valid criticism of the Research Bureau Movement than it is a sound criticism of the idea of a League of Nations to say that the present League has so far dealt only with problems of second-rate importance.

The true significance of the Research Bureau is that it establishes the institutional framework for the scientific approach to Municipal problems—an approach which is absolutely essential in the complex world which surrounds us to-day. When we regard the matter from this point of view it is difficult not to feel a sense of shame that no work of a similar character is proceeding in Great Britain. Our system of Local Government is more developed, more mature, more stable than in America; the administration is less corrupt and the standard of intelligence and public service which goes into the work is higher, both on the part of the elected councillor and the appointed official. But there are Municipal problems to be faced in this country no less acute than those confronting the United States; there are abuses no less scandalous which need to be revealed; there are experiments no less interesting which ought to be recorded; there are reforms no less obvious which ought to be called for.

Yet there is no single body or agency of any kind whatever anywhere in England which is engaged in scientific investigation work of a Municipal character. We have the oldest and in some ways, and in some places, the best system of local government in the world; we have an annual expenditure on Municipal activities reaching nearly four hundred million pounds a year; we have a long tradition of public service on local councils by public-spirited men and women; by general consent Local Government is admittedly one of the great interests of the nation, judged by any reasonable test. Yet one can search from Land's End to John o' Groats without finding a single institution engaged in the systematic study of any of the gigantic problems which now face local authorities of all ranks and sizes. Not a single one. There are no funds available for the purpose either from public or private sources; there is no university (leaving aside the provision of a few lectures at London and Manchester and Liverpool) which has set aside resources for the systematic study of Local Government problems.

The Associations of local authorities are entirely apathetic and devoid of interest. They are class-conscious in the narrowest sense of the word and care less for good government than for the supposed interests of their own members. Even then the classes into which the local authorities are divided by law do not correspond to the true order of categories ; and there is no body which represents the views or the interests of *all* local authorities in the country regardless of rank. The Ministry of Health has neither the will nor the mental equipment for the purpose, though an Intelligence section of the Ministry could render service of an immensely useful kind in making available for public use some of the vast mass of significant information which daily pours into the archives of the Ministry from all parts of the country. A Royal Commission may sometimes be an extraordinarily effective organ of enquiry into a particular subject ; but it is limited by the terms of reference, and its life can at best be only of short duration. The emergence of disinterested social scientists (such as Mr. and Mrs. Webb), possessed of the necessary intellectual capacity and the necessary financial resources (to say nothing of the spirit of public service) required to undertake the work, can obviously not be relied upon with any assurance.

Nearly ever civilized country outside of England has some kind of organised investigating agency ; and proposals have even been made in the League of Nations Assembly that international co-operation should take place between such institutions for the purpose of the mutual exchange of ideas.

There is without doubt a very serious absence of study of Municipal problems in Great Britain to-day ; and as our Local Government problems have become more acute, the lack of information which now exists has become increasingly serious. Take any of the half-dozen major problems of Local Government in England to-day, and consider how much detailed information is available concerning them. What do we really know about methods of management and the comparative efficiency of Municipal trading enterprises ? about the calibre and qualifications of the Municipal Civil Service ? about the essential facts underlying the conflict of areas ? about the policy and methods of District Auditors ? about the conduct and statistics of local elections ? about local achievements in Education and Roads ? about Direct Labour in Housing ? about the overlapping in public health administration ?

There is a crying need for the systematic and continuous study of Local Government problems, if we really desire them to be solved. We might well learn a lesson in this respect from America.

The Methodology of the Measurement of Labour-Turnover¹

By ISOBEL GODDARD.

THE subject of, and experimentation with, any measurement of labour-turnover has received but scant attention in England. Partly, no doubt, this is because the state of the labour market as a whole in respect of quantity is entirely the reverse from that now obtaining in the United States, for example, and necessity has not therefore forced its consideration upon employers. In part also it may be that economists and administrators have failed as yet to grasp the full significance of this instrument for measuring labour mobility as one of the necessary means by which to demonstrate the real importance of establishing stabilising work-force policies, the lack of which is clearly wasteful of human effort and detrimental to industrial efficiency, as well as an aggravation of the national employment problem. More certainly it is due to the fact that the best method of computation being not yet fully arrived at and acclaimed, its value is called in question, and as a practical study it does not carry the weight attaching to the more well-established statistical usages.

In the light of the definition of labour-turnover as a measure concerning that part of the labour flow involved in force maintenance, we may examine the four principal methods of measurement.

The simplest labour-turnover rate is the separation rate. Pay-rolls and employment records give the necessary data, which are the number of employees who have left the factory in any stated period and the total and the average number employed in that period. Another rate, similar to this, is an accession rate which measures the rate of increase in the work force. Monthly series of such rates would give an indication of the rate and incidence of greatest increase in the work force of a factory.

¹ The experience on which this article is based was gained during December, 1925, to June, 1926, in the United States, where an intensive study was made of the labour turnover of two large confectionery factories in Boston, Mass.; from the employment records of the years 1924-1925.

These ratios are easy to compute and very natural ones for the general use of an employer. As preliminary tests they serve as rough practical estimates. Their inaccuracy lies in the denominators used, a criticism which applies in all labour-turnover measurement. It either assumes that the average number of workers employed in the stated period were at work for the whole period and makes absenteeism part of the labour base rather than of the flow, or ignores differences existing between the rates of leaving at different stages of the worker's factory life. Again, it must be noted that if the total number employed be used as denominator, while it escapes some of these charges, there is more likelihood of distortion due to an inflated pay-roll. Also if a weekly or monthly rate so based is equated to a monthly or yearly basis by multiplying by twelve or fifty-two, as Mr. Brissenden does,¹ unless trade and employment conditions are very stable, there is a danger that the choice of a random week or month will only result in a false picture drawn from a period which may be somewhat above or below average conditions. In computing labour-turnover in any seasonal trade, it would seem fairer and more accurate to use a time series based on the arithmetic average as denominator.

Clearly, then, these two rates, while expressing some rough general measure of labour-turnover, do in reality tend merely to show the increase or decrease in the work force of a factory, and so scarcely satisfy the definition given. A third measure has been found, a replacement rate (for methods of obtaining these rates, see definitions below.) which shows how far turnover at any given period is due to the maintenance of the work force. It takes into consideration both separation and accession figures. It is one thing to measure the separation rate per capita of the work force, but labour-turnover in the sense of replacement would seem a superior conception, and represents the rate of replacement per capita and corresponds to the hazard of employment by exposure. In the month of December, 1925, for example, in a confectionery factory in Boston, the labour-turnover rate by the first formula described was 6.04, whereas the replacement rate was .47. In 1925 the figures were 2.24 and 1.76 respectively.

In terms of replacement, then, these figures show that the hazard of employment in December, 1924, in this factory was 93 per cent., or seven only of a hundred vacancies occurring were

¹ See Brissenden, Paul F. *Labor-Turnover in Industry*. New York, 1922. Brissenden, Paul F. *The Best Measure of Labor-Turnover*. Read before the American Statistical Association, New York, 1926. Hitherto unpublished MS.

filled. The situation was improved the following year (December is, of course, the worst month for employment in the confectionery trade), but this treatment of turnover measurement throws a startlingly clear light on an aspect of labour-turnover which is unrevealed by the sole calculation of the separation ratio as a labour-turnover rate.¹

Total stability is, however, probably best measured by an aggregate of separations and accessions, expressed as a labour flux rate, the fourth measure of labour-turnover. The resulting quotient is by far the most important as a measure of turnover, and that this is a sound method becomes clear on experimenting with the formula, especially when the results are charted in a time series.

LABOUR-TURNOVER RATES OF THE BOSTON CONFECTIONERY FACTORIES A AND B, 1924-5.

PERCENTAGE RATES IN SPECIFIED MONTHS AS STATED.²

	1924.			1925.		
	Sep. rate.	Acc. rate.	Flux.	Sep. rate.	Acc. rate.	Flux.
PLANT A.						
<i>Year</i> ...	45·56	85·93	131·49	30·85	39·92	70·77
January ...	* 3·97	15·81	19·79	* 3·50	12·02	15·53
February ...	* 4·84	15·69	20·53	* 5·11	11·39	15·51
March ...	* 6·52	10·14	16·66	* 4·85	5·73	10·58
April ...	7·13	* 2·84	9·96	5·45	* 1·46	6·92
May ...	4·68	* ·65	5·34	3·48	* 1·86	5·34
June ...	* 7·48	10·12	17·60	5·27	* ·63	5·90
July ...	* 3·74	19·91	23·66	* 1·71	3·23	4·95
August ...	* 6·27	12·15	18·43	* 3·42	5·00	8·43
September...	* 8·15	21·02	29·17	* 4·22	10·41	14·63
October ...	* 5·81	14·29	19·16	4·67	* 4·38	9·05
November...	5·27	* 4·81	9·86	2·68	* 2·58	5·27
December ...	5·25	* ·89	6·14	2·18	* ·79	2·97
PLANT B.						
<i>Year</i> ...	24·59	26·56	51·16	26·22	33·80	60·02
January ...	* 1·77	2·77	4·54	* ·57	1·30	1·88
February ...	3·07	* 2·42	5·50	2·42	* ·51	2·93
March ...	2·11	* 1·17	3·29	* ·93	1·05	1·99
April ...	* ·35	1·30	4·86	* 2·96	2·96	5·93
May ...	* ·87	1·43	2·31	* 1·38	2·73	4·11
June ...	* 1·35	3·80	5·16	* 2·14	5·50	7·65
July ...	* 2·38	7·05	9·44	* 1·61	5·24	6·85
August ...	2·79	* 1·16	3·24	* 2·87	4·48	7·35
September...	* 3·61	5·04	8·66	* 3·03	5·04	8·08
October ...	* 4·17	5·51	9·68	* 4·17	4·90	9·16
November...	3·17	* 1·24	4·41	* 2·26	5·41	7·67
December ...	2·24	* 1·76	2·41	6·04	* ·47	6·52

¹ The figures include only bon-bon and chocolate workers and others in occupations directly related thereto. Office employees were not included. Eighty per cent. of the workers employed in this trade are women.

² Replacement rates are starred (*).

In the case of these two Boston factories, the stabilising policy of one, which may be known as Factory A, was well shown by the yearly flux rates. A decrease from 131.49 per cent. to 70.77 per cent. in 1924 and 1925 finds graphic statistical evidence, while for Factory B an increase was recorded. The corresponding figures by the first two formulæ described were, for Factory A (separation rate), 45.56 in 1924 and 30.85 in 1925; the accession rates were 85.93 and 39.92 respectively.

In Factory B a two-year monthly series of flux rates was computed, and when the seasonal trend had been discounted, the more violent weekly and monthly instability of employment was exposed and the real situation, due partly to conditions in that factory, and partly to the seasonal nature of the confectionery trade. This had not been apparent from rates computed by any one of the other formulæ, but only from a study of several tables of each of the other rates. From such considerations Factory A is basing a steady stabilising policy and eliminating wasteful and expensive hiring and firing by the careful selection, training and routing of employees and by special attention to the actual incidence of a high turnover rate. To such incidence attention can only be drawn in the first place by statistical evidence. In the measurement of labour-turnover lies the first attempt made to demonstrate the detailed incidence of a faulty and wasteful employment policy, whether in point of time, occupation or department. Until such incidence is apparent, it is scarcely to be expected that remedial measures can or will be taken.

While each one of these methods of measuring labour-turnover has something to recommend it *per se*, choice must lie with the judgment of the investigator, in the face of adaption to factory and trade conditions. Slovenly and unintelligent record-keeping in factories may go far to stultify results in the early stages of compilation, as also the difficulties of the broken time margin and absenteeism. Nevertheless, these are but initial difficulties before the choice of the best formula to use when the raw data are obtained.

Methodology in the measurement of labour-turnover cannot be more fully established until more work is done in the subject, for decision can only justifiably be based on a large body of experimental data. The British Industrial Fatigue Research Board made one study in 1919, using the separation rate as a measure; the United States Bureau of Labour Statistics has made several, while Mr. Paul F. Brissenden of Columbia University, New York, and Miss Bezanson, of Philadelphia, have

experimented widely and usefully. The present writer makes no claim but to have benefited by their experience and carried further experimentation into a seasonal women's trade. The field is open for the use of one method as of another, and while, on the whole, consensus of opinion is in favour of utilising the separation rate based on the average number of employees, on grounds of simplicity and suitability for general application, yet a proper realisation of the value of expediency in the choice of one method as against another for particular factory or trade conditions is of unquestioned importance.

DEFINITIONS OF TERMS USED.

TOTAL.—(a) Where the word "total" occurs it refers to the total number of factory employees at work within a stated period. The weekly total is the total number of employees on that week's pay-roll, and is obtained by inspection of that pay-roll.

(b) The monthly total number employed (Table 2, columns 2, 4) refers to the total number of factory employees appearing on the pay-roll on (or about) the 15th day of each month, and is obtained by inspection.

(c) Total number employed for the year is that number of factory workers who have, for any length of time, been employed within a twelve-month period. The figure so termed here was obtained by taking the total number employed during January and adding to it the number of employees hired during the ensuing eleven months.

AVERAGE.—The average number employed is a monthly or yearly average number of factory workers. It is obtained by taking four weekly pay-roll totals, which are then added and the result divided by four (a simple arithmetic average number of workers employed in any given month). A yearly average is obtained by adding the twelve monthly total numbers employed and dividing the result by twelve.

TOTAL AMOUNT OF EMPLOYMENT.—This term is used to refer to the total number of workers who have been employed in any stated period. It is the number working in the factory on the date of commencement of the given period, to which is added any employee who is hired to work in the factory, for however short a time, within the limits of that period. This will include re-entry or double accession. The resulting figure shows the number of employees which have actually worked in the factory. Any man or woman who has been hired twice is counted twice. It is a figure measuring the number of opportunities for, or amount of, employment offered.

EXPOSURE.—The same as the above and obtained in the same way. A figure so termed shows the number of employees which has, in a given period, been liable or exposed to the risk of turnover consequent on being hired into the factory.

DEFINITIONS AND METHOD OF OBTAINING LABOUR-TURN-OVER RATES.

LABOUR-TURNOVER RATE.—A measure to do with that part of the labour flow involved in force maintenance.

(a) RATE BY THE MASSACHUSETTS FORMULA.
$$\frac{(T=S)}{N}$$

Obtained by taking the total number of separations (employees leaving the factory for any reason) in any stated period and dividing this number by the *average* number employed in that period.

(b) RATE BY THE BRISSENDEN FORMULA.
$$\frac{(T=S)}{N}$$

Obtained by taking the total number of separations from the work force in any stated period and dividing by the *total* number employed in that period.

SEPARATION RATE.—Is a quotient which seeks to measure the rate of decrease in the work force.

It is obtained by dividing the number of separations in any period (the total number of employees leaving the work force) by the total number employed (Table I), or by the average number employed which is also used as denominator (Table I, c).

ACCESSION RATE.—Is a quotient giving a measure of the rate of increase in the work force.

It is obtained by dividing the total number of employees hired during any stated period by the total (Table I, a), or by the average (Table I, c) number employed during that period.

MARGINAL RATE.—This rate is a figure showing the net gain (+) or loss (−) in the work force in any stated period.

It is a derived rate obtained from the difference between the Separation and Accession rates. If the Accession rate is higher than the Separation rate, then the difference between them found on subtracting the one from the other, is a plus marginal rate, and *vice versa*.

REPLACEMENT RATE
$$\frac{(S - E)}{N}$$

the labour-turnover at any given period is due to the maintenance of the work force.

It is obtained by subtracting any excess in the number of separations (employees leaving the factory) over the number of accessions (employees hired) from the number of separations and dividing by the *total* number employed.

LABOUR FLUX RATE $\frac{(S+A)}{N}$ is a ratio of an aggregate of the number of

employees leaving (Separations) and the number hired (Accessions) in any stated period to the total number employed in that period.

It is obtained by adding the number of separations and accessions in any given period and dividing the result by the total number employed in that period.

MOBILITY RATES.—(a) QUIT RATE is a measure of the proportion of employees who leave the factory voluntarily in a stated period to the total number employed in that period.

It is obtained by a scrutiny of the reasons for leaving given by employees (and recorded on the employment card) and totalling the number leaving voluntarily and dividing by the total number employed.

(b) DISCHARGE RATE is a measure of the proportion of employees discharged during a stated period to the total number employed in that period.

It is obtained by separating from the number of employees those who were discharged from the factory from the total number leaving the factory and dividing the result by the total number employed during that period.

(c) LAY-OFF RATE shows the proportion of employees who were laid off by the management (with a definite understanding of return to work at a busier time) to the total number employed.

It is obtained by the same method of scrutiny, etc., as were the rates above (a) and (b).

Book Reviews

Money. By CARL HELFFERICH. Translated by LOUIS INFELD.
Ernest Benn. 1927. 2 vols. 52s. 6d.

The name of the late Carl Helfferich is known to many people in this country as that of the minister responsible for Germany's finances during the war, or as that of a prominent leader of the Right Party since the Revolution. Comparatively few, however, know of his distinguished work as an economist and statistician, and still fewer have studied that work. This translation of the most important of his books enables the English reader to become acquainted at once with a fine mind and a standard work in German monetary literature.

The book is divided into two parts, called respectively Historical and Theoretical, to which Professor Gregory has added an appendix on monetary developments since the author's final revision in 1923. The two parts are intended to be studied together, and the distinction between them is not maintained with meticulous strictness. Thus the theoretical part will be found to contain, in addition to a decidedly realistic treatment of monetary systems, an account of the changes in the value of money from 1850; while the reader who is chiefly interested in theoretical issues should on no account overlook the opening chapter of the historical part on the Origin of Money.

In Helfferich's general philosophy of money there is a very distinct element of "nominalism." This appears most clearly in the first chapter to which I have just referred. Here the evolution of money is shown to consist in a growing differentiation between the medium of exchange and economic goods or commodities in general. At first, when the earliest advances begin to be made from the stage of barter, there is no one commodity which serves as a medium of exchange, but this function is assumed on occasion by a number of different commodities which are in general requirement. Next, owing to their technical advantages for the purpose, the precious metals come to be used almost alone in this capacity, although they are not of course used in this capacity exclusively. But the necessity of weighing and assaying the

precious metals imposes serious handicaps on trade ; to overcome these, resort is had, first to the private certification of ingots, rings, etc., and then to coinage proper. The latter marks the definite emergence of money in the modern sense. For the provision of coins has done considerably more than to remove certain previously existing difficulties. Firstly, coinage sets up a physical distinction between the metal used as money and the same metal used for all other purposes. This helps to promote a distinct idea of money, which becomes stronger as the advantages of coins for the purposes of trade become felt. Secondly, the minting of coins in classes of identical and interchangeable pieces of the same name, together with the establishment of fixed exchange relations between coins of different names, provides a system of money units and introduces the conception of a sum of money. Finally, the provision and maintenance of coined currency is from the first controlled by the State, and with this the whole system of money is brought under Government regulation. Originally, whilst minting was still regarded as a means of certifying the weight and fineness of a piece of metal, the connection of the State with the coinage was based on the fact that the State alone could give a guarantee which would be generally accepted. But as a complex system of relations grew up upon the basis of the money units, the function of the State changed to that of providing an ordered system of means of payment in terms of these units. The consummation of these developments is the independence of the money unit of any quantity of bullion, accompanied by the dependance of the validity of the means of payment upon the will of the State. The achievement of this consummation is witnessed when the State is able to change the metallic content of its coins, or replace a silver currency by a gold one, or give legal tender quality to otherwise worthless pieces of paper.

This account of the evolution of money, although less abstract and schematic, will be seen to agree very closely with that given in Knapp's *Staatliche Theorie*. But the "nominalism" of Helfferich is less absolute than that of Knapp ; moreover it provides, not a substitute, but a starting point for an economic theory of money.

1. The regulating power of the State, so important in the "nominalist" theory, is recognised by Helfferich to be effective only so long as it provides a currency which is stable within certain ill-defined limits. If this condition is not fulfilled, business men will cease to use the official money, at any rate as a unit

of account ; and even the State itself may be compelled to follow their example. Further, this regulating power is commonly curbed, albeit voluntarily, by arrangements for linking the currency to a metal.

2. Although in the original work there is a further section on the Legal Conception of Money, which is omitted from this translation, Helfferich is primarily interested in money as a part of the economic mechanism of society. Money is formally defined as " the complex of those objects which in a given economic area and in a given economic system have as their normal purpose the facilitation of economic intercourse (or the transfer of values) between economic individuals."

3. Helfferich's " nominalism " does not stand in the way of an economic investigation of the problem of the value of money. Granted that the State decides what shall be the means of discharging existing money debts, what governs the terms upon which money enters into new transactions? In stating this problem and seeking a solution in the free play of economic forces, Helfferich is strongly at variance with Knapp ; but he has the company, it may be remarked, of several other economists of the " nominalist " school, e.g. Cassel and Bendixen abroad and Hawtrey in this country.

In general terms the value of money is treated by Helfferich as the outcome of the relation between demand and supply. Holding consistently to the conception of money as primarily a means for making interpersonal transfers, he regards the demand for money as a demand for money to spend rather than to hold. A psychological treatment of this demand in terms of marginal utility is rejected on the ground that the only kind of utility which money can have is one which presupposes its value ; the only course, therefore, is to conceive demand objectively in the sense of the given requirements of a community for the means of payment and exchange. To bring this demand into relation with the supply of money, it then becomes necessary to introduce the idea of " velocity of circulation "—a concept which Helfferich upholds after a careful consideration of the objections.

At this point we may notice Helfferich's analysis of the monetary effects of deposit banking. These are represented as of two kinds, both tending to enhance " the intensity of exploitation " of money. Firstly, the re-lending of deposits, which would otherwise constitute hoards or idle balances, increases the average velocity of circulation ; secondly, the money held in reserve by the banks, although having itself a velocity of circulation of zero,

may serve as the basis for a system of offsetting money claims which accomplishes much more than that money itself would do, if passed from hand to hand. It will be observed that bank deposits are not themselves regarded as money, although a glimpse of such a view may perhaps be discerned in the somewhat casual assertion that "they (the banks) can, to some extent, by giving credit, create the very credit accounts on the basis of which they effect settlements."

To return to the problem of the adjustment of demand and supply: Helfferich does not hold that this is entirely effected by adapting the price level in order that the otherwise fixed demand may be brought into conformity with a fixed money supply. Two other types of adaptation are recognised. In the first place, demand and supply exercise certain reciprocal influences upon one another. Given, for example, that the tendency is for demand to exceed supply, this may be in part counteracted by a restriction of demand, or an increase of supply, or both; the use of money may be economised or its intensity of exploitation increased; the supply of money may be increased by extended note issues, or (in the case of a gold standard of currency) by drawing gold from abroad or even—to some slight extent—increasing the production of gold. In these ways the change required in the price level is at least reduced. But, in the second place, the price level is not always the passive element in the situation. Two cases are given in which changes in general prices produce changes in the supply of money; one being the quite general case of the price movements in the trade cycle, and the other that typified in German currency history from 1919 to 1923. It must be explained, however, that the argument is not that a rise in prices can inevitably compel an increase in currency, but rather that it may in fact lead to such an increase if the control of the currency supply offers insufficient resistance. In the same qualified sense—and again with post-war German conditions in mind—it is contended that a fall in the foreign exchange value of a currency may cause an expansion of its volume. (Incidentally it may be remarked that the treatment of the subject of foreign exchange is in general rather weak and old-fashioned.)

I have attempted here to bring together from different parts of the book the leading ideas of Helfferich's theory. Even from this bald summary an impression will be gained, I think, of a mind which, if not perhaps strikingly brilliant, is always well balanced and discriminating. But it is impossible to convey by

this means a due sense of the suggestive and often profound way in which all these issues are discussed.

This philosophic quality is one of two virtues for which the work may be specially commended. The other—to which it is even less possible to do justice in a review—consists in its range of historical knowledge and the aptness with which this knowledge is applied to the elucidation of monetary systems.

In monetary politics Helfferich was a champion of the Gold Standard ; and this against proposals for managed currencies no less than against the disordered paper systems of recent years. This last edition being completed in May, 1923, no fresh light is thrown upon the part which the author played in the initiation of the Rentenmark. This may, however, be as well. From what is said on the German position in 1923 (e.g. with regard to the valorisation of contracts), one forms the opinion that, for all his administrative experience, Helfferich was least good when dealing with problems at close quarters.

I may add that the work of translation has been done so well that one seldom remembers that one is not reading the original. By way of exception, I must question whether the problem of translating "Sortengeld" is well solved by using the phrase "money of account." But perhaps the problem is insoluble.

BARRETT WHALE.

Business Annals. By W. L. THORP and W. C. MITCHELL. National Bureau of Economic Research. 1926

" . . . All generous minds have a horror of what are commonly called 'facts.' They are the brute beasts of the intellectual domain." The dictum of the Autocrat of the Breakfast Table is hardly open to dispute ; yet the progress of thought in most spheres of knowledge largely depends upon a mastery of those facts that serve the purpose of generalisation. Fortunately, in carrying out the less congenial part of their task scientists find that outside aids, as well as instruments of their own invention, multiply with the advance of time. For economists, of all consequences of the industrial revolution none has been more to their interest in a double sense than the development, on the one hand of the machinery of book-keeping and on the other hand of the machinery of statistical compilation. Impossibilities have been translated into actualities. The facts of business are spread out in systematic records with a degree of detail economists formerly could not expect to have to their hand. And on this widening base of individual recorded fact has been erected a

superstructure of scientific aggregates that, lacking modern apparatus wherewith to tabulate and compute, economists formerly could not hope to build.

The new mastery of economic facts has been most conspicuous in connection with the particular economic problem of the alternating rhythm of industry. This problem we have come to call, without exact mechanical connotation, but conveniently by tradition, the problem of the business cycle: *Nomina sicut entia non sunt multiplicanda sine necessitate*.

With an approach to the problem of the business cycle by way of descriptive and statistical facts on a comparative basis for different countries the name of Professor Wesley C. Mitchell must always be associated foremost. In 1913, when the materials for such a comparative study were yet scant and difficult of access, when data could still be reduced only laboriously by pencilled sums into a form from which inferences might be drawn, Professor Mitchell's well-known volume on Business Cycles appeared, large to the hand as well as to the understanding. The present volume issued by the National Bureau of Economic Research is the first of a trilogy into which the Bureau proposes to resolve and recombine, under the supervision of Professor Mitchell himself, his original volume on Business Cycles; extending the investigation to no less than seventeen countries and to dates as recent as 1925. The present-day forces of organised economic research have been set in motion to give yet ampler proportions to Professor Mitchell's architectonic work.

The first volume of the new work—it may be justly so described in view of the amount of additional information it contains—corresponds broadly with Part I, chapter III to the end, of the original study, to the section there entitled *Business Annals*. It is essentially preliminary in nature and chronologically and quantitatively descriptive rather than statistical in an elaborate or refined sense. It falls into two parts, the Annals proper, collected and collated under the charge of Dr. Thorp, and a generalised statement of results and deductions, presented by Professor Mitchell with characteristic self-effacement under the heading Introduction.

The Calendar of Annals (including an admirable Bibliography of Sources) represents a valuable compendium of information relating to business events and conditions, one may say virtually the world over, in the period 1890-1925. The critical facts of industry, trade, general prices, finance, crops, government action, are systematically set forth year by year for each of the seventeen

countries. Not only does this concise register of the Annals of Business provide an eminently convenient work of reference, but the swift succession of plain entries of fact shapes a striking narrative of matters of everyday concern in the economic history of the world in the last thirty-five years.

We are indebted to Dr. Thorp and his assistants for much careful examination of many sources, and for the good judgment shown in selecting factors for notice and in relating them to the general state of trade. We are also indebted to Dr. Thorp for the heavy work involved in preparing the summary tables of results.

Professor Mitchell's contribution takes us into the sphere of analysis and interpretation. The conception, emphasised in his earlier work, of the business cycle as an organic whole—growth leading to climacteric, climacteric to decay, and decay to re-birth—serves as the underlying general hypothesis in the light of which the mass of new evidence in the present Annals is examined. Years of prosperity, crisis or recession (as the case may be), depression, and revival, in the seventeen countries of the investigation, from as early as 1790 in Great Britain and the United States, have been severally identified by Dr. Thorp; and from the systematic diversities as well as the uniformities shown, Professor Mitchell reaches certain highly significant general conclusions as to the relative duration of the different phases of business cycles. Professor Mitchell takes care to explain that personal judgment must, from the nature of the evidence, play a great part in fixing the dates of transition of these phases; and considerable individual differences appear in each case. Nevertheless, when the many cases covered are grouped, the way in which they fall out points to certain dominant tendencies, which errors in judgment cannot completely mask, nor random influences entirely defeat.

It is clear that "the phases of *recession* and *revival* are relatively brief. Put together, they account for only one quarter of the duration of business cycles on the average" (p. 71, cf. also Table p. 63). It is clear moreover that "the ratio of months of *prosperity* to months of *depression* varies widely from country to country, and within any country it varies widely from cycle to cycle." But turning specifically to countries for which we have longest and most detailed evidence, "Both the English and American records indicate that *the relative duration of the prosperous and depressed phases of business cycles is dominated by the secular trend of wholesale prices*"¹ (p. 71). From 1790 to 1925 in Great Britain and the United States, the ratios of years of prosperity to years of depres-

¹ Italics mine.

sion average 2.6 to 1 in long-run periods of rising prices ; in long-run periods of falling prices they average only .75 to 1 (cf. Table, p. 66). Similar results hold for each country separately.

That these results, resting upon the high authority of Professor Mitchell's considered and buttressed statements, are of great importance to the analysis of business cycles needs no saying. But it may not be out of place to suggest that they point a moral. Both in the general study of business cycles and in the interpretation of those currently in progress, apparent irregularity may really represent something very like systematic variation, if we do not treat that variation as being necessarily simple or constant in character. In this respect we have in the past tended to oversimplify : unable directly to perceive order, especially order itself subject to orderly change, we have been over-ready to doubt the possibility that it may exist in any strict sense. I see Professor Mitchell shaking his head gently, smilingly, at such optimism.

Turning from the question of the relative duration of the several characteristic phases of business cycles to the question of the duration of such cycles as a whole, we are impressed with the diversity that apparently prevails in the length of cycles considered chronologically for each country (cf. chart III, pp. 50-51), and by frequency distributions for numbers of countries variously grouped (cf. chart IV, pp. 56-59). Professor Mitchell's general conclusion for the total of the 166 cycles observed is that " the regularity which emerges, consists, not in the preponderance of cycles of any given duration, but in the way in which cycles of different durations group themselves about their central tendency." (p. 69). The distribution, of an asymmetrical (skewed positively) type that is familiar in studies of social phenomena, may be represented by a logarithmic normal curve with a maximum at approximately three and a half years, according to Professor Mitchell. That the fit of the curve to the data is " on the whole rather close " he shows by a histogram with the curve superposed (cf. chart V, p. 70). What degree of closeness of fit in any given case is significant depends, we are aware, upon the kind of further inference it is wished to draw ; and even then opinions may differ as to whether the fit is " good " enough, especially in the absence of statistical tests. I fear that I cannot go quite all the way with Professor Mitchell when he says, " From this fact (the degree of fit of the logarithmic normal curve) we infer that . . . the durations of business cycles may be regarded as the net resultants of a multitude of factors which are largely independent of each other. If there is any dominant factor or set of factors which tends to

produce cycles of uniform duration, its influence is greatly modified by a host of other factors combined in ways which vary endlessly" (p. 71). I quote here fully, and should like to dwell for a moment upon the point for the reason Professor Mitchell himself puts forward, namely that " This conclusion has an important bearing upon the theory of business cycles and the methods by which that theory may be improved."

Not only the final distribution of durations for all 166 cycles, but the coefficients of variation about an average duration (given on chart IV) for cycles by countries variously grouped, certainly indicate heterogeneity in the original data. But the durations are obtained from dates of recession as indicated by the *Annals*, and are reckoned to the nearest whole year (p. 46), an interval which Professor Mitchell himself of course recognises as " too large a unit for measuring business cycles " (p. 72). It might therefore well be that a cycle approximating to, say, forty months, which varied within the moderate range of, say, ten months (with a probable variability, therefore, in the technical sense, of substantially less than 25 per cent.), might contribute to a high frequency for cycles of two, three and four years in the results as given. Adjacent high frequencies might thus really reflect but a single dominant cyclical tendency. The possible changes in the conformation of our histograms for reasons such as this are clearly considerable. Measurements to a smaller unit of time and by criteria more precise than general annals, such as are currently becoming available, tend to suggest that frequency distributions for the duration of cycles may be, in fact, bi-modal or tri-modal in form.¹ It seems to me not impossible in view of the nature and broad unit of the *Annals* evidence, that the shapes both of the general and of the special histograms (pp. 70 and 56 respectively) are consistent with cyclical tendencies of 3-4 year and 6-7 year durations predominantly, with a probable variability of under one year. The way the area of the general histogram is distributed in excess or defect of the logarithmic normal curve, falls in with this possibility ; and the large coefficients of variation (40 per cent. upwards) about a single average duration in the various cases, are consistent with the suggestion of a bi-modal distribution, as well as with substantial dispersion of any other form.

I follow Professor Mitchell, in short, in the branch of his con-

¹ I base this conjecture on the fact that recent investigations (such as those cited by Professor Mitchell, p.40) of an intensive kind, tend to stress the possibility of cycles enduring either about three, or about seven, years. Certain very limited, and as yet incomplete, investigations of my own relating to British and American cycles support the hypothesis of a bi-modal distribution.

clusion which denies a cycle of single uniform duration, the period of which is the result of a single dominant factor, or set of factors. But I should like to venture to suggest that a multiplicity of prominent durations may not be the only alternative. A third possibility exists, which the evidence from *Business Annals* does not, I think, fundamentally disprove ; the possibility, namely, of a small (very small) number of dominant types of duration, exhibiting variation of a secondary order about each type. This alternative bears on the theory and method of study of business cycles in that, in order to account for the small number of dominant types of duration presumed, we are led first to seek a corresponding small number of sets of dominant factors determining several types of duration, and only then to pursue the inquiry further by seeking those supplementary, subordinate factors necessary to account for the lesser variation about each type. Certain distinctions which Professor Mitchell notices as regards the durations of cycles as between countries, and in particular countries at different times, encourage the speculation, which arises *a priori*, as to whether the broad double distinction between fairly self-sufficient economies as against highly dependent economies, and primarily agricultural as against primarily industrial economies, may not go far towards giving us the sets of factors that determine the types of durations that predominate.

But this is a matter that has no place in an already long review. One more general conclusion advanced by Professor Mitchell ought, however, to be mentioned. This conclusion is that, since 1890 at least, business cycles in the seventeen countries investigated conform generally in their various aspects to an "international pattern" (p. 92). The chronology of this pattern is on the whole the conventional one familiarly recognised. It is interspersed, however, with certain additional cycles which tend to be peculiar to one or several countries rather than, like the better known cycles, universal to all countries.

The problem of the business cycle is one which asks the patience of Job to its unravelling. This first volume of the revised and enlarged edition of Professor Mitchell's *Business Cycles*, like the original, is a golden treasury of facts which bear upon that vexed problem.

M. TAPPAN.

Introduction to the Study of Public Administration. By LEONARD D. WHITE. Macmillan. 1926. pp. xiii+495. 14s.

Professor White has written a most informative study of the methods of public administration in the United States. He has managed to convey an extraordinary amount of information in a comparatively short space ; and if he is less concerned to discuss than to analyse, at least he usually gives the reader the materials for forming his own judgment. It will be an important day in the study of English public administration when a similar work is written upon our own institutions.

Yet I think Professor White would be the first to agree with me if I say that the main impression left upon me by his book is our ignorance of the principles of effective administration. He surveys, always with full knowledge of the facts, every imaginable aspect of his theme—recruitment, promotion, discipline, retirement, administrative syndicalism, and the rest. He makes clear the truth of certain well-worn principles such as the folly of the spoils-system, the need for an adequate pension system at a comparatively early age, the importance of centralising knowledge. But when we move from the obvious to the dubious, his information reveals to us darkness rather than light. The best method of promotion, the place of the advisory committee in the administrative hierarchy, the proper way, if any, of educating public officials, the relation of the amateur to the expert, upon these, if I may venture the remark, Professor White gives us disconnected detail (all of it useful) rather than coherent principles. When he suggests, for instance (p. 437), the utility of the legislature as an agency of control, one is tempted to split his one thesis into many and ask questions about each part. There is a legislature in Italy ; has it any value as an agency of control ? Would the legislature of Tennessee be really capable of aiding through control the work of scientific experts ? Does not, in fact, the value of the legislature in this regard depend pretty emphatically, first, upon what kind of a legislature it is, and, second, upon the way in which it is organised for the purpose of control ? Is it not true, to take a simple instance, that effective control must be continuous and coherent, and is not, therefore, the control of the House of Commons ineffective because it has no permanent liaison with the administrative machine ?

Another instance may be given. While Professor White is clear that Government servants should form associations, he is, if I understand him aright, convinced that Government as an employer stands in so special a category that strikes and external

affiliations by public servants are undesirable. I wish the case were capable of being determined so simply. On the whole the British civil service is the best paid and the most efficient in the world to-day; but its proletariat has no reason to regard its employer as markedly distinct from good average employers in private enterprise. It gave no heed to inadequate police conditions until a strike compelled attention to the problem. The same was true in the famous Boston strike of 1919. Years of agitation by a private union brought no result; affiliation with the American Federation brought a strike which secured for the police of Boston all the conditions which the men had long demanded. And certainly the knowledge that the civil service associations were represented on the General Council of the Trade Union Congress gave them a status and a self-respect which was very doubtfully capable of attainment in any other way. Underlying Professor White's thesis, in fact, there is a theory of State sovereignty which I find myself tempted to reject. The State is as employer what it does as employer; and the quality of its actions can alone be the measure of its pre-eminence. Nor do I think Professor White's argument improved by a quotation from President Murray Butler, which only shows how difficult it must be for a great administrator to find time for meditation upon the problems of his art.

Professor White will not, I think, dissent from the view that his sketch of the anatomy of public administration makes one long the more eagerly for a study of its physiology. Nearly one hundred years ago Sir Henry Taylor wrote a brilliant sketch of the conditions under which a statesman might hope to do his work successfully. We need a similar work for the administrator of to-day. For if we could get a real insight into the psychological milieu he requires for success, we should have a criterion now lacking for judgment upon the experience Professor White details to us. Students have long hoped that Professor Wallas would attempt such an analysis for this country. Is it too much to suggest that Professor White should attempt it for the United States?

HAROLD J. LASKI.

English Poor Law History, Part I, The Old Poor Law. By SIDNEY and BEATRICE WEBB. Longmans. 1927. pp. x+447. 21s.

The great scientific enterprise of the Webbs steadily progresses towards its completion. I believe that *English Poor Law History* is the final treatise, and of that, Part I, *The Old Poor Law*, has

just been published. The present work stretches back to the time when the State had not entered upon the task of administering the relief of the poor. Administration of this service was in the hands of that great institution, the Church, which preceded the State in this, as in education and health administration. From the fourteenth century to 1536 the State, concerned with suppression of turbulence, made of the laws relating to the poor simply a system of savage repression. From 1536 began a process of legislation which discriminated carefully between able-bodied and impotent poor, and this culminated in the laws, collectively called the Law of 1601. In this period the relief of the poor developed from a subject of occasional individual charity to that of systematic, regular and organised public administration, the parish being its local unit and the compulsory rate its treasury. Then came the attempt to regulate this administration from a national centre: but administrative science was too poor to allow of its success. The Webbs hold that the attempt broke down owing to its unpopularity. May I suggest that the lack of adequate transport and communications was to blame? Local government to-day is almost swallowed up by central regulation, though the local authorities find central regulation uncongenial. But the economy of modern services is so determined by modern transport and communications that the local independence of the period after the Stuarts is impossible to conceive. Nowhere in the world has a central bureaucracy been able to arise and to operate until two factors were present: money-economy and rapid transport. And so the story proceeds. From the Restoration to about 1775 you have mixed repression, savagery and philanthropy. Houses of industry, spinning-schools, workhouses, etc., housed the aged, juvenile, and ailing destitute; while Bridewells and Houses of Correction savagely coerced the sturdy. From 1775 onwards the economic organisation of the country began to be re-shaped by the use of steam-energy. Mills and factories were set up. The parish officers found an outlet for the destitute settled upon their parishes: they were "farmed out." But this brilliant prospect for the ignorant, illiterate, unpaid overseers, soon faded. Food prices rose tremendously and the employers would not take the serried rows of destitute at current rates. The Speenhamland expedient was adopted. I believe I am right in saying that this was in reality the first public and almost national use of the cost-of-living bonus based upon an index figure in English history. From that point, owing to bad harvests, the Napoleonic wars, and the indiscriminate and unwise extension of outdoor

relief, inevitable when the overseer was unpaid, the Poor Law system became the instrument of wholesale demoralisation of all who came beneath its sway. The analysis stops with an examination of the conditions, moral, intellectual and economical, which led directly to the Poor Law Commissions and Reforms of 1834.

This book is of first-rate importance to the student of public administration. I would far rather try to teach to a young student what public administration is from such an analysis than from any book extant on political theory. For here is public administration in actual operation. Here is the nearest approach the political scientist can make to the experimental method. Every motive is seen in operation: many different dispositions in the destitute are used as a source of energy to combat his destitution—shame, savagery, charity, education, and many more; and to each string plucked there is the appropriate response. Best of all, the student would see how the legislator searches for the infallible administrative test of destitution—that test which will make it unnecessary to have to rely solely upon the wise to administer the law, since even fools can do it. That search culminated in the “workhouse test” of 1835. And we await its history in the next volume to appear, entitled, *The Last Hundred Years*.

HERMAN FINER.

Social Theories of the Middle Ages, 1200-1500. By Bede JARRETT, O.P. Ernest Benn. 1926. pp. ix+280. 16s.

The works of Father Bede Jarrett on mediæval socialism and on St. Antonino are known and valued by all students of the social thought of the Middle Ages. In the present volume he casts a wider net. The *Social Theories of the Middle Ages* gives an account of the theories of mediæval thinkers on subjects which have at all times given rise to controversy, and by their attitude towards which the prevalent philosophies of different ages are distinguished from each—law, education, the position of women, slavery, property, money-making, war, the idea of Christendom and art. On each of these topics lengthy works might be written, and on some of them they have been written. Naturally, a book of less than three hundred pages cannot pretend to handle them exhaustively. But there is an honourable place for works which aim, not at exploring every corner of a vast territory, but at describing the configuration of the ground and indicating the characteristic landmarks. Of such works Father Jarrett's

book is a good specimen. It is objective in tone, and—a quality not always found in writers on mediæval social thought—neither idealises nor depreciates. Not the least of its virtues is the abundance of quotations which it contains from authors who are not easily accessible to the majority of students. Some of them, in particular some of those on education and art, are charming as well as instructive.

It would be presumption for one who is less familiar with mediæval thinkers than Father Jarrett to attempt to offer a detailed estimate of his work. The reviewer would find some difficulty in accepting some of the opinions expressed in the chapters on slavery and property. The plan of treating serfdom—the characteristic mediæval form of unfreedom—as a particular case of slavery does not seem to him a happy one. Servile status and servile tenure, which from an early date drifted apart, seem sometimes to be confused. The suggestion that the words in a writ “freemen for themselves and their villeins” implies that villeins are virtually represented, and that “their unfreedom is of a negligeeable type,” appears to reverse the natural sense of the words. It is surely paradoxical to speak of feudalism, an immense system of private jurisdictions, as “the nearest approach to a consistent system of communism that has ever been practised on a large scale.” On the other hand, the chapter on money-making hits off excellently the characteristic features of mediæval economic thought. More emphasis might, perhaps, have been laid on the steady development in subtlety and complexity which, in response to changing economic conditions, marked the economic theory of the fourteenth and fifteenth centuries, and which led some of the reformers to denounce it as a system of compromise with Mammon; but the broad outlines of the picture are firmly drawn and emphasis is laid on the points which require it. Equally noteworthy are the chapters on War, Art, and Christendom. Altogether Father Jarrett has written a stimulating book, which will be of real assistance to those who are seeking a guide to a period of eager and fruitful speculation, which has been too much neglected.

R. H. TAWNEY.

Melanesians of the South-East Solomon Islands. By W. G. IVENS, M.A., Litt.D. London. Kegan Paul, Trench, Trübner and Co. 1927. Pp. xx+529. 30s.

A monograph which embodies the results of anthropological field-work should serve a two-fold end. By the analysis of the

culture of the folk, revealing their dominant interests and occupations, their peculiarities of custom, institution and belief, it has to contribute to our knowledge of the region studied; by the organisation of fresh material and the working out of specific problems in a new setting it must provide data of value to the theorist in a wider sphere.

As often with records of this type, the present book meets the first demand more easily than the second. The comprehensive account which Dr. Ivens gives of the native culture of Sa'a and Ulawa is a valuable addition to our scanty literature on the Solomon Island peoples, particularly since the author obtained his information through the medium of the native tongue, in which he is well versed.

In every primitive society the life of the people tends to centre around a few select objects or enterprises of predominant interest, towards which are oriented quite complex systems of institutions and beliefs. With the folk of the district studied, the most important of their interests is the bonito fishing, a focus of excitement and activity for weeks and even months ahead. The glamour of the sport is very well conveyed by the author, with his vivid description of the canoes bright with nautilus shell inlay, decorated with zigzag lines and hung with red streamers, the crew ornamented with gay armlets and strings of shell discs, the water seething with the shoals of leaping fish, the air resounding with the noise of splashing, the cries of the sea-birds wheeling overhead, and the long-drawn modulated call of the fishermen as the rods are in play. The full context of the associated ritual is also brought out in the magical ceremonies, the propitiation of the guardian sharks and fish-maidens, and the spectacular binding of the lads of the village to a long seclusion on the beach that they may be prepared for their proper initiation as bonito fishermen. The canoe building and the holding of competitive feasts present the economic side of the enterprise, which is thus well dealt with in all its varied aspects.

Not all sections of the book, however, are of the same calibre. The value of the record would have been considerably improved if attention had been paid to the clearer formulation of problems and the more careful organisation of material. The study of method is as essential in anthropological field-work as in any other scientific laboratory. This failure to grasp the fundamental issues involved in certain aspects of the inquiry has led to grave defects in observation, which are visible in the presentation of the results. Thus the divorce of folk-lore from its context in

social life and technical pursuits has reduced it to a simple collection of interesting stories. The author does not even state whether the tales are only fiction to the natives or whether they are believed to be true, and, perhaps, held as sacred—an omission which is fatal to any attempt at properly understanding them. The treatment of social organisation also is inadequate and full of inconsistencies. The *komu*, for instance (a group of kindred corresponding to the *Grossfamilie*) is said to be the only domestic group in the society, though in other context its members are shown to be distributed over a number of households. The individual family of parents and children, again, the basic social group, is never specifically recognised.

The author's incursions into biology are sometimes a little naïve. Thus he observes that the women of the district have exceptionally long fingers, and suggests "this extension of the fingers may be due to constant weeding of the gardens through the generations" (p. 20).

As is usual in an anthropological treatise, the real problems of economic organisation are not perceived. Even incidentally, very little data is given on the methods of co-ordination of labour, the stimuli to work, the means of its reward or the system of ownership and exchange of articles of wealth. This raises a further question. Despite the free use of the expression "shell money," no definition of the term is attempted, nor is any adequate description given of the use of the commodity in exchange. This "money" consists of strings of shell discs, white, red, or grey, of varying worth, worn as ornaments by children and young people, and utilised as compensation for homicide and other offences, in the exchange of gifts at marriage (wrongly termed "bride price" by Dr. Ivens), and in the "buying" of canoes, pigs and food. That it is a common article of exchange is clear, as also the fact that it is charged with a ceremonial value. That it is ever a medium of exchange used simply to facilitate transactions in other objects seems doubtful, and, still more so, that it serves as a universal measure of value of other commodities. No details of exchange are given which suggest this. The use of the term "money" for such freely circulating valuables is common in anthropological records, and the shell discs of Melanesia, in particular, have been endowed with this title. In the absence of any clear evidence, however, that such items really fulfill the ordinary functions of true money, the use of the term is better avoided.

The main comment which one is impelled to make on Dr. Iven's

book is that as a careful and well-documented record of field-work it would have been greatly improved by more attention to method, terminology and the formulation of his problems.

RAYMOND FIRTH.

The Economics of Wages and Labour. By NORA MILNES. King. 1926. Pp. viii+197. 8s. 6d.

In this book Miss Milnes has used some of the material which her father, the late Dr. Alfred Milnes, had collected with the ultimate hope of publication and has incorporated it with much of her own work. It is obvious that in such a work it would be difficult to indicate which sections of the book came from the pen of the daughter and which from that of the father, and no attempt to do so has been made.

The problems of wages and labour are here discussed as a necessary preliminary to an understanding of the problem of unemployment. After some examination of fundamental economic concepts the author discusses theories of interest and of wages, and deals with some of the more practical questions concerning wages, such as women's wages and trade unionism. By far the most interesting chapter is that dealing with women's wages. The detailed discussion in another chapter of some of the more controversial and temporary issues of the general strike seem singularly out of place in a volume which professes to be a broader and more theoretical examination of fundamental problems. This chapter would have been further improved by the omission of the somewhat superficial discussion of alternative methods of organising society.

The purely theoretical chapters are curiously uneven. Scattered throughout are many shrewd and penetrating comments on theories and facts. On the other hand, at the end of the author's examination of selected theories of wages and interest, the reader is left with no clear picture of the theories of which Miss Milnes herself approves, nor is it always clear whether the full implications of the different points of view and their relation to each other have been grasped by the author. Böhm-Bawerk's theory of interest is held to be "by far the most satisfactory explanation at present found"; it is a little surprising to be told that "it holds the ground to-day." In the chapter on wages, Marshall's marginal productivity, Böhm-Bawerk's "roundabout methods," Taussig's discounted marginal productivity robbed of its necessary accompaniment, the fixed time preference for capital accumulation, seem to be together accepted and held side by side with the

view that "our productivity is the ultimate determinant of the wages which can be paid." There is no examination of the relation of these theories to each other or to possible theories of interest, while the "marginal firm" is regarded too largely as "determining" instead of being itself but one of a large number of mutually determining factors. Other statements in the book lead one to suspect the author's use of economic terminology. Thus she quotes with approval the statement that, "Whatever be the demand for labour, the supply always and everywhere tends to exceed it." Without reference to a particular price and time this statement has no meaning, for taken literally it would place labour among the free goods having no price at all. There seems to be a misprint in the last column of figures on page 141.

E. M. BURNS.

The National Dividend. By JAS. T. SUTCLIFFE. Melbourne University Press. (London: Macmillan). 1926. Pp. x+70. 3s. 6d.

The wealth of Australian statistics is such that it is possible for the Australian statistician to produce results that Englishmen can only dream of. The existence of an annual census of production gives him the opportunity of making estimates of the National Dividend, not for isolated years, but continuously over a period, and thus supplying material which, it can hardly be denied, is very much more useful than the occasional snap-shots which are all that is possible in this country. Mr. Sutcliffe naturally takes as the basis of his calculations the year 1920-1, which atones for its abnormality by providing him with the additional luxury of a census. For five years, 1916-22, he is thus able to arrive at comparative estimates of the National Dividend (chiefly from the Production statistics) and National Income (chiefly from Income Tax Returns), which, excepting for the year 1921-2 (where the figures are incomplete) agree very closely.

The English reader, however, would feel happier about Mr. Sutcliffe's results had he paid more attention to those marginal cases, where definitions become ambiguous, and which play so considerable a part in our economy. To take only one example, on p 8 it is stated that "the exports of Australia should exceed the imports, as the interest bill on loans raised in London has to be met by exports. On the other hand, if loans are being raised in London to any large extent, it may result in the imports being greater than the exports, as such loans will be sent to

Australia in the form of goods imported." But that is the last we hear of the matter, and he appears to proceed to the end on the assumption that imports and exports will balance, and can therefore be neglected. This is hardly a state of mind Englishmen would wish to see encouraged in a country which is so heavily our debtor. The feeling of insecurity about Mr. Sutcliffe's conclusions is also encouraged by certain inaccuracies in the repetition of figures from one page to the next which are (one hopes) the fault of the printer. But these do not seem to be, in any case noted, very important.

The national dividend of Australia, as is natural in a largely agricultural country, shows fairly wide fluctuations from year to year. Manufacturing production, on the other hand, has increased steadily, though rather slowly, since 1910. Mr. Sutcliffe's chapter on "Distribution" includes an interesting Lorenz curve showing the distribution of income in Australia and in the United States. Inequality would appear to be about the same in the two countries, in Australia being slightly less.

J. R. HICKS.

The Education of India. By ARTHUR MAYHEW. Faber and Gwyer. Pp. 318. 10s. 6d. net.

From the economic, as well as from the political and social point of view, the problem of education in India lies at the root of all progress. In a country where only 13 per cent. of the male and 3 per cent. of the female population over five years of age is literate, it is hopeless to expect any rapid improvement in the methods of production, any radical rise in the standard of life, or any far-going application of scientific knowledge to the fundamental problems of sanitation and the eradication of devastating, preventible diseases.

In this thoughtful and well-balanced study of the origin, development and results of the present educational system in India, Mr. Mayhew has made a notable contribution towards a better understanding of the problem of education in India. He is not content to repeat the facile strictures too often passed on the system and its results, or to defend the system in the usual unimaginative way against its critics, but analyses with exceptional knowledge and psychological penetration the motives, results and defects of the policy pursued.

The first part of his book is mainly historical, and explains the conditions and difficulties which have led to the present unsatis-

factory state of affairs, whereby the education of the masses has hardly begun, the education of women has been quantitatively negligible, and the higher education accorded to a relatively large number of males has been acknowledgedly disappointing. Contrary to the usual opinion, he concludes that the education supplied, far from being too literary, has been narrowly vocational and utilitarian in type. The concentration upon preparation for the clerical, administrative, legal, medicinal, journalistic and political professions, has arisen naturally out of the absence, in the past, of other vocations for trained men. The failure on the cultural side can be accounted for mainly by the divorce between religion and instruction, which—in a country such as India—has meant that European and Westernised Indian teachers have failed to touch the innermost lives of their pupils. At the same time the "Orientalists" have failed to adopt scientific critical methods and hence to exercise a "culturally progressive and useful" influence.

There seems little hope that under the Reformed Administration any fundamental improvement in the system will be quickly effected. On the contrary, a set-back may be feared in consequence of the "Indianisation" of the educational services, as this means that the attempt will be made to maintain the present exotic system without the aid of those who best understand it.

Mr. Mayhew discusses in an illuminating manner the highly controversial question of the merits of English as a medium of instruction, and makes a good point in emphasising the distinction—often overlooked—between English as a medium, and English as a subject, of instruction. His rather pessimistic outlook with regard to educational possibilities in India may be criticised on the score that he over-emphasises the part played in the West by the English Boarding School system. No doubt this system has certain merits, but it also has grave defects, and certainly cannot be considered essential for imparting all that is best in Western education.

No solution of the fundamental educational problem in India has yet been discovered, but it is something if the nature of the problem involved can be clearly realised. "It is recognised now," says Mr. Mayhew, "that the personality of India can find complete and joyful expression only in a life consistent with her spiritual and social traditions and heritage. It remains for the West to suggest means of developing that life, and to remind India that the absence of development means spiritual death."

VERA ANSTEY.

Recent Theories of Citizenship in its relation to Government. By CARL BRINKMANN. Humphrey Milford. 1927. pp. 126. 7s.

In the four lectures which compose this little book—this dear little book, if the cost of printing 126 small pages be set against its price of 7s.—Professor Brinkmann has hardly given himself elbow-room to carry out the purposes set forth in his preface, “to promote . . . co-operation between national branches of research” in political science and “to bring out if possible what I believe to be the peculiar contributions of German thought to modern political science.”

In surveying “The Citizen and the Subject,” “The Metaphysical State,” “The Pluralistic State” and “International Citizenship,” it is not so much an account of recent German contributions to political thought which the writer gives us as a cautious statement of his own general position. He calls upon us “to face political realities as a dynamic movement resulting ever fresh from the counterplay of institutions and the human will” and the modification of institutions in response to changing social needs in a recurrent theme of the lectures. In general, the note struck is conservative. The retort is made to Professor Hobhouse’s criticism of the Metaphysical State that the individualist position is at root equally metaphysical, depending on the belief in each man’s final duty to obey his conscience; recent “pluralist” attacks on sovereignty, as by Professor Laski, lead to the conclusion that “we feel there is some fallacy at the bottom of such arguments”; and in the final lecture the State is replaced in its historic Hegelian position of uniqueness since “the most distrustful of individualists cannot, as a citizen, help his heart going out to the community he loves and finding that only service to it realises his best self.” Leviathan is dead, long live Leviathan . . . though Professor Brinkman clothes him less gorgeously than of old, and the top hat and the share certificate replace the crown and sceptre as symbols of dominion.

E. J. PASSANT.

Contracts in the Local Courts of Mediæval England. By ROBERT L. HENRY. Longmans, Green. 1926. pp. 250. 16s.

By far the major portion of this work is given to the study of methods of pleading and proof; the remaining portion treats of certain aspects of substantive law; five pages only are devoted to observations on the general law of contracts as enforced in the mediæval local courts. Such a distribution, if made in a modern work on contract, would occasion considerable surprise and would

no doubt be generally condemned ; but in a work on early, and even mediæval law, a distribution of that character is only natural and proper. Early law is buried in the interstices of procedure, and it is only very gradually that legal rules emerge from the procedural technicalities of local courts even in mediæval times.

The author has been guided in his researches by the two standard general works on the history of English Law (i.e. Pollock and Maitland's and Dr. Holdsworth's), and has relied upon the admirable materials found in the various translations of Anglo-Saxon laws and in the volumes of the Selden series. There has been no attempt made to treat the subject of contract law in the Middle Ages as a whole ; this would have meant the further study of the procedure and decisions of the central courts. All that we are therefore given is an account of the law and procedure with respect to the proof and enforcement of contracts in the local courts of mediæval England.

Extremely little information is given in the opening chapters on the subjects of procedure and proof during the first half of the period under consideration, i.e., from A.D. 602 to 1154 ; but the treatment accorded the same subjects during the latter half of the period, i.e. from 1154-1485, is both interesting and adequate. In the fifth chapter, which contains the most instructive sixty pages of the whole book, a clear account is given of the mediæval uses of the various kinds of tallies as evidence of acknowledgments of indebtedness out of court. Finally, the last three chapters contain a sound study of the principal kinds of contracts recognised during the mediæval period.

Students of the history of English Law will find in Dr. Henry's work a readable and instructive study of a subject hitherto not adequately covered by any one work of authority.

D. HUGHES PARRY.

The Tables Turned : A Lecture and Dialogue on Adam Smith and the Classical Economists. By J. BONAR. P. S. King. 1926. pp. vi+52. 2s.

In this pamphlet Dr. Bonar has reproduced, in an expanded form, the lecture on Adam Smith and the classical economists which was delivered last year at the School of Economics, as the second of the Adam Smith Commemoration Lectures. The lecture is divided into two parts. In the first Dr. Bonar undertakes an investigation into the origin of the term classical economists—somewhat to his mortification he is compelled to attribute it to Marx. In the second he attempts, in the form of a symposium

of the immortals, a review of the influence of Adam Smith upon the writers of the classical period, and an evaluation of their respective achievements in the light of present-day knowledge. Both tasks are discharged with the distinction and erudition we should expect of the author, and economists of all persuasions owe Dr. Bonar a debt for a very entertaining hour's reading. If he succeeds in turning the attention of the great multitude who now acquire cheap notoriety by denunciation of the classical economists, to the study of these much abused but little read authors, he will have rendered an even greater service.

LIONEL ROBBINS.

Akbar of the Jesuits. By Father PIERRE DU JARRIC. Translated by C. H. PAYNE. Routledge and Sons. ("The Broadway Travellers.") 1926. Pp. xlviii+288. 12s. 6d.

The Editors of the "Broadway Travellers" are to be warmly congratulated on this fascinating addition to their series. The value of Father du Jarric's "Histoire" lies in the fact that it "reproduces or faithfully summarises" most of the otherwise inaccessible letters of the missionary Fathers written prior to 1610. Mr. Payne's introduction and learned, yet oft entertaining, notes, add greatly to the value of the translation. It cannot be said that du Jarric adds much to our knowledge of economic conditions in India during the reign of Akbar, as—apart from passing references to the fertility of Akbar's Dominions, the wealth of the Great "Mogor," the difficulties, dangers and delays of travel, and (be it noted) to several severe and widespread famines—the subject-matter of his history is spiritual rather than material welfare. Akbar's skill in retaining the Fathers at his Court with the bait of ever-imminent conversion, in order to maintain the reputation of his Court as a centre of international concourse and his own reputation as the patron of all religions, learning and the arts, without in any way committing himself, cannot fail to evoke the deepest admiration! The book is strongly to be recommended to all lovers of good literature as well as to those specifically interested in sixteenth century India or the Jesuit Missions.

VERA ANSTEY.

Books and Pamphlets Received

(Books marked * are among those reviewed in this number ; for a complete list of Book Reviews in this number, see page ii of cover.)

- ARTHUR ASPINALL : *Lord Brougham and the Whig Party*. Longmans.
- EMILIE I. BARRINGTON : *The Servant of All : Pages from the . . . Life of James Wilson*. Longmans, 28s.
- NIKOLAI BUKHARIN : *The Economic Theory of the Leisure Class*. Lawrence, 7s. 6d.
- A. R. BURNS : *Money and Monetary Policy in Early Times*. Kegan Paul, 25s.
- EDWIN CANNAN : *An Economist's Protest*. King, 16s.
- CECIL CHISHOLM : *Vulcan, or the Future of Labour*. Kegan Paul, 2s. 6d.
- JOHN PRESTON COMER : *Legislative Functions of National Administrative Authorities*. New York : Columbia University Press (London : King, 16s.)
- F. CREEDY : *Human Nature in Business*. Ernest Benn, 12s. 6d.
- EDMUND DANE : *Wages and Labour Costs*. Macmillan, 4s. 6d.
- CLIVE DAY : *The Distribution of Industrial Occupations in England, 1841-1861*. New Haven : Connecticut Academy of Arts and Sciences.
- V. A. DEMANT and OTHERS : *Coal : a Challenge to the National Conscience*. Hogarth Press, 2s. 6d.
- R. PALME DUTT : *Socialism and the Living Wage*. Communist Party of Great Britain, 2s.
- HERMAN FINER : *The British Civil Service : An Introductory Essay*. Fabian Society, 2s.
- P. SARGANT FLORENCE : *Economics and Human Behaviour*. Kegan Paul, 2s. 6d.
- SIR FRANCIS FLOUD : *The Ministry of Agriculture and Fisheries*. Putnam, 7s. 6d.
- FRANCIS R. FLOURNOY : *Parliament and War*. King, 15s.
- THE HON. SIR JOHN FORTESCUE (ED.) : *The Correspondence of King George the Third*. Vols. I and II. Macmillan, 25s. each.
- WILLIAM TRUFANT FOSTER and WADDILL CATCHINGS : *Business Without a Buyer*. Boston, Mass. : Mifflin, \$2.00.
- ASTRID FRIIS : *Alderman Cockayne's Project and the Cloth Trade*. Milford, 30s.
- HAMILTON FYFE : *Archon, or the Future of Government*. Kegan Paul, 2s. 6d.
- TEODORO GONZALEZ GARCIA : *La Soberania del Parlamento Ingles*. Murcia : Nogués.
- STEFANO GIUA : *Scienza Economica e Assicurazioni Sociali*. Torino : Bocca.
- REV. WALTER GOODLIFFE : *Credit and Currency, National and International*. King, 8s. 6d.

- T. E. GREGORY and HUGH DALTON (EDS.): *London Essays in Economics: In Honour of Edwin Cannan*. Routledge, 10s. 6d.
- C. M. GRIEVE: *Albyn, or Scotland and the Future*. Kegan Paul, 2s. 6d.
- ERNEST S. GRIFFITH: *The Modern Development of City Government in the United Kingdom and the United States*. Oxford University Press, 2 vols., 42s.
- J. ALEXANDER GUNN: *Livelihood*. Melbourne: Massina, 10s. 6d.
- B. B. DAS GUPTA: *Paper Currency in India*. Calcutta: University Press.
- R. G. HAWTREY: *The Gold Standard in Theory and Practice*. Longmans, 3s.
- SIR THOMAS L. HEATH: *The Treasury*. Putnam, 7s. 6d.
- J. A. HOBSON: *The Conditions of Industrial Peace*. Allen and Unwin, 4s. 6d.
- IBID. *The Industrial System*. (Revised Edn.) King, 7s. 6d.
- KUNG CHUAN HSIAO: *Political Pluralism*. Kegan Paul, 10s. 6d.
- KATHLEEN E. INNES: *The League of Nations and the World's Workers*. Hogarth Press, 1s. 6d.
- *W. G. IVENS: *Melanesians of the South-East Solomon Islands*. Kegan Paul, 30s.
- A. E. KIRKUS: *Railway Statistics: their compilation and use*. Pitman.
- M. M. KNIGHT: *Economic History of Europe to the End of the Middle Ages*. Allen and Unwin, 12s.
- MARY LA DAME: *Securing Employment for the Handicapped*. New York: Welfare Council of New York City, 50c.
- H. LAUTERPACHT: *Private Law Sources and Analogies of International Law*. Longmans, 25s.
- JULIUS LIPS: *Die Stellung des Thomas Hobbes zu den Politischen Parteien der Grossen Englischen Revolution*. Leipzig: Wiegandt, M.8.
- W. FRANCIS LLOYD and BERTRAM AUSTIN: *Capital for Labour*. Fisher Unwin, 3s. 6d.
- R. LUSUM: *German Commercial Reader*. Wilson, 4s.
- IBID.: *German Commercial Terms and Phrases*. Wilson, 4s.
- C. J. DUNBAR MACCONNELL: *A Complete Manual of the Spanish Language*. Wilson, 7s. 6d.
- J. C. MCKERROW: *Economics for Nicodemus*. Longmans, 2s.
- SIR JOHN A. R. MARRIOTT: *The Mechanism of the Modern State*. Oxford: Clarendon Press, 2 vols., 42s.
- N. B. MEHTA: *Indian Railways: Rates and Regulations*. King, 10s. 6d.
- HARRY E. MILLER: *Banking Theories in the United States before 1860*. Harvard University Press (London: Milford, 11s. 6d.)
- H. L. NATHAN and H. HEATHCOTE WILLIAMS (EDS.): *Liberal Points of View*. Ernest Benn, 7s. 6d.
- BERTRAND NOGARO: *Modern Monetary Systems*. King, 15s.
- MAURICE OLIVIER: *Les Nombres Indices de la Variation des Prix*. Paris: Giard, fr.50.
- GEORGE HENRY LANE-FOX PITT-RIVERS: *The Clash of Culture and the Contact of Races*. Routledge, 18s.
- D. RIAZANOV: *Karl Marx and Friedrich Engels*. Lawrence, 7s. 6d.
- IBID. (ED): *Karl Marx: A Symposium*. Lawrence, 6s.
- DWIGHT SANDERSON (ED.): *Farm Income and Farm Life*. Chicago: University Press (Cambridge: University Press, 15s.).

- A.A. SANTALOV and LOUIS SEGAL: *Soviet Union Year-book*, 1927. Allen and Unwin, 7s. 6d.
- HJALMAR SCHACHT: *The Stabilisation of the Mark*. Allen and Unwin, 8s. 6d.
- ERNST SCHULTZE (ED.): *Ruhrbesetzung und Weltwirtschaft*. Leipzig: Gloeckner, M.14.
- SIR LEWIS AMHERST SELBY-BIGGE: *The Board of Education*. Putnam, 7s. 6d.
- SIR JOSIAH STAMP: *On Stimulus in Economic Life*. Cambridge: University Press, 3s.
- J. STEPHENSON: *A Statistical Atlas of the World*. Pitman, 7s. 6d.
- R. W. SOUTER and OTHERS: *Criticism of Profits . . . by Foster and Catchings*. Newton, Mass.: Pollak Foundation, \$1.00.
- W. SUSAT: *Ueber die Beziehungen zwischen Aussenhandel und Volkswohlstand*. Jena: Fischer.
- MATSUYO TAKIZAWA: *The Penetration of Money Economy in Japan*. King, 9s.
- GEORGE MALCOLM THOMSON: *Caledonia, or the Future of the Scots*. Kegan Paul, 2s. 6d.
- G. H. TUPLING: *The Economic History of Rossendale*. Longmans, 21s.
- GEORGE UNWIN: *Studies in Economic History*. (Ed.: R. H. TAWNEY.) Macmillan, 15s.
- C. N. VAKIL and S. K. MURANJAN: *Currency and Prices in India*. King, 18s.
- *SIDNEY and BEATRICE WEBB: *The Old Poor Law*. Longmans, 21s.
- MAX WEBER: *General Economic History*. Allen and Unwin, 12s.
- WL. WOYTINSKY: *Die Welt in Zahlen*, 5tes Buch. Berlin: Mosse.
- Towards Industrial Peace*. (League of Nations Union) King, 6s.
- Board of Trade: *Reports of Committees on the Safeguarding of Industries*. His Majesty's Stationery Office.
- Customs Regulations and Procedure in Great Britain and Northern Ireland*. H.M.S.O., 1s. 6d.
- Foreign Office: *Memorandum on Labour Conditions in China*. H.M.S.O., 6d.
- Reparation Commission: *Official Documents*, XVI and XVI.A. H.M.S.O.
- Report of the Committee on the Disinterested Management of Public Houses*. H.M.S.O., 6d.
- Report of the Ministry of Labour for 1926*. H.M.S.O., 2s. 6d.
- International Labour Office: *The Trade Union Movement in Soviet Russia*. (London: King, 4s.).
- Scientific Research Institute of Agricultural Economics in Moscow: *Characteristics from the Productional Standpoint of the Various Groups of Peasant Farms in the Flax Districts of U.S.S.R.*
- Ibid.*: *Economic "profiles."*

School Notes

The total number of regular students for the Session 1927-28 up to November 8th, 1927, is 1,001, which establishes a record for enrolments, the number for the same date in 1926 being 952. The number of occasional students is 1,263, making a grand total of 2,264.

AWARD OF SCHOOL OF ECONOMICS RESEARCH STUDENTSHIPS

A School of Economics Research Studentship on the Ratan Tata foundation of the value of £200 per annum for one year, with a possible extension to two years, has been awarded to Barbara Slatter. A School of Economics Research Studentship of the same value has been awarded to Harold Edward Batson. A Special Studentship in Biology has been awarded to Judah Rumyanek.

GOVERNORS

Mr. Frank Pick, Assistant Managing Director of the Underground Railways, has been elected a representative of the Commerce Degrees Committee of the University on the Court of Governors of the School.

STAFF

Dr. B. Malinowski has been appointed to the University Chair of Anthropology tenable at the School.

The title of "Professor of English Language and Literature" has been conferred on Dr. Reed.

The following Assistants have been appointed to the Staff of the School:—

Mr. S. H. Bailey, B.A., Sidney Sussex College, Cambridge—International Studies.

Mr. W. J. B. Crotch, M.A. (London)—English.

Mr. W. G. East, B.A., Peterhouse, Cambridge—Historical Geography.

Dr. H. Lauterpacht, Dr. Jur., Dr. Sc. Pol. (Vienna), LL.D. (London)—International Law.

Miss Lucy P. Mair, M.A., Newnham College, Cambridge—International Studies.

Mr. R. H. Soltan, M.A., Pembroke College, Oxford—Political Science.

Mr. L. G. Robinson was elected to the Albert Khan Travelling Fellowship at the end of last Session.

RESIGNATIONS

Dr. A. D. McNair (Reader in International Law), to a full-time teaching and tutorial post in the University of Cambridge.

Mr. L. Robbins (Lecturer in Economics), to a Fellowship at New College, Oxford.

Dr. Delisle Burns (Lecturer in Social Science), to the Sir Daniel Stevenson Lectureship in Citizenship, University of Glasgow.

Mr. B. K. Martin (Assistant Lecturer in Political Science), to the editorial staff of the *Manchester Guardian*.

35



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THE UNIVERSITY OF ILLINOIS AT CHICAGO

